EXHIBIT NO. 1

Calendar No. 172

86TH CONGRESS
1st Session

SENATE

REPORT
No. 187

LABOR-MANAGEMENT REPORTING AND DISCLOSURE ACT OF 1959

APRIL 14, 1959.—Ordered to be printed
Filed under authority of the order of the Senate of April 13, 1959

Mr. KENNEDY, from the Committee on Labor and Public Welfare, submitted the following

REPORT

together with

MINORITY, SUPPLEMENTAL, AND INDIVIDUAL VIEWS

[To accompany S. 1555]

The Committee on Labor and Public Welfare, to whom was referred the bill (S. 1555) to provide for the reporting and disclosure of certain financial transactions and administrative practices of labor organizations and employers, to prevent abuses in the administration of trusteeships by labor organizations, to provide standards with respect to the election of officers of labor organizations, and for other purposes, having considered the same, report favorably thereon, with amendments, and recommend that the bill do pass.

The amendments are as follows:

1. In line 22, page 3, strike out the word "employees" and insert in lieu thereof the word "employers".
2. In line 12, page 7, strike out the word "receive" and insert in lieu thereof the word "received".
3. In line 22, page 15, strike out the word "constructed" and insert in lieu thereof the word "construed".
4. In line 21, page 16, insert a comma after the word "person".
5. In line 9, page 17, strike out the words "labor organization or by such employer" and insert in lieu thereof the word "person".
6. In line 9, page 30, insert the word "labor" after the word "subordinate".
7. In line 12, page 37, strike out the word "recordings" and insert in lieu thereof the word "records".

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8. In line 7, page 41, after the phrase "required by" strike the remainder of the sentence and insert in lieu thereof "its own constitution or bylaws except as otherwise provided by this title."

9. In line 17, page 44, strike out the word "expenditures" and insert in lieu thereof the word "expenditure".

10. In line 23, page 47, strike out the word "this" and insert in lieu thereof the word "the".

11. On page 49, strike out lines 8 through 13 and insert in lieu thereof the following:

> tion to an employee but does not include the United States or any corporation wholly owned by the Government of the United States, or any State or political subdivision thereof."

12. In line 14, page 51, strike out the word "Railroad" and insert in lieu thereof the word "Railway".

13. In lines 5 and 6 on page 59 strike "the unit described in the petition" and substitute in lieu thereof "an appropriate unit".

All of the above amendments are of a technical, perfecting nature except No. 10. This amendment excludes unions of public employees who are not covered by the National Labor Relations Act or the Railway Labor Act from the coverage of the bill.

PART I—PURPOSE OF THE BILL

The committee reported bill is primarily designed to correct the abuses which have crept into labor and management and which have been the subject of investigation by the Committee on Improper Activities in the Labor and Management Field for the past several years. In its first interim report the McClellan committee made five legislative recommendations. One of these has been implemented in the passage of Public Law 85–836, the Welfare and Pension Plan Disclosure Act of 1958. The remaining recommendations: (1) To regulate and control union funds; (2) to insure union democracy; (3) to curb activities of middlemen in labor-management disputes; and (4) to clarify the "no man's land" between State and Federal authority; were the subject of a bill, S. 3974, which passed the Senate last year by an 88-to-1 vote, but failed to receive the approval of the House of Representatives. The committee-reported bill is based on the legislation approved by the Senate last year and thus it too implements the remaining recommendations of the McClellan committee. In brief, the bill, S. 1555, would accomplish the following:

(1) Full reporting and public disclosure of union internal processes;

(2) Full reporting and public disclosure of union financial operations;

(3) All information required to be reported will be made available to union members in a manner prescribed by the Secretary;

(4) Criminal penalties for failure to make such reports or for filing false reports;

(5) Criminal penalties for false entries in and destruction of union records;

(6) Full reporting and public disclosure of financial transactions and holdings, if any, by union officials which might give rise to conflicts of interest, including payments received from labor relations consultants;

(7) Full reporting and public disclosures by employers of expenditures for the purpose of persuading employees to exercise, not to

exercise, or as to the manner of exercising their rights to organize and bargain collectively;

(8) Full reporting and public disclosure by employers of expenditures for the purpose of obtaining information concerning the activities of employees or unions in connection with a labor dispute;

(9) Full reports by employers of any direct or indirect loans to a labor organization or officer or employee of a labor organization;

(10) Criminal penalties for failing to file or falsification of reports required of employers and labor relations consultants;

(11) Provides Secretary with broad investigatory power, including the power of subpena, to prevent violation of the reporting and other provisions of the bill;

(12) Authorizes the Secretary to bring a civil injunction in a district court of the United States to compel compliance with the reporting provisions of the act or any rules or regulations which he promulgates to insure compliance with these provisions;

(13) Criminal penalties for payments by "middlemen" to union officials;

(14) Full reports by employers of any arrangement with a labor relations consultant or other independent contractor by which such person undertakes to persuade employees to exercise or not to exercise or regarding the exercise of their rights to organize or bargain collectively;

(15) Full reports by any person who has an agreement with an employer to persuade employees to exercise or not to exercise or as to the manner of their exercising their rights to organize and bargain collectively; or who supplies information to an employer concerning the activities of employees or labor organizations in connection with a labor dispute;

(16) Prohibits persons who have been convicted of certain crimes from holding union office or employment within 5 years of having served any part of a prison term as a result of such conviction;

(17) Prohibits unions from paying the legal fees or fines of any person indicted or convicted of a violation of the bill;

(18) Full reporting and public disclosure of trusteeships imposed by national or international unions;

(19) Criminal penalties for failure to file or falsification of required reports relating to trusteeships;

(20) Prescribes minimum standards for establishment of trusteeships and sets limits on their duration;

(21) Authorizes Federal court proceedings to dissolve trusteeships when not imposed in accordance with provisions of the bill;

(22) Empowers Federal courts to preserve the assets of a trusteed labor organization and limits the funds which may be transferred from a trusteed labor organization to the international;

(23) Requires election of constitutional officers and members of executive boards of international unions at least every 5 years by secret ballot or by delegates elected by secret ballot;

(24) Requires election of constitutional officers and members of executive boards of local unions at least every 3 years by secret ballot;

(25) Protects freedom of opportunity to nominate candidates in union elections;

(26) Protects members' right to vote in union elections without being subject to improper interference or reprisals;

(27) Insures that every candidate for union office shall be afforded the opportunity to distribute at his own expense literature in support of his candidacy to all the members of the union;

(28) Requires that all candidates shall have the opportunity to have observers present at the balloting and at the counting of the ballots in a union election;

(29) Prohibits use of union funds to promote individual candidacy in union elections;

(30) Procedures whereby a union officer guilty of serious misconduct in office may be removed by a secret ballot vote after court proceedings if the union's constitution does not provide adequate machinery for such removal;

(31) Provides for investigations by the Secretary of members' complaints of improper procedures in union elections and court actions by the Secretary to set aside improperly conducted elections;

(32) Empowers Federal courts to direct new elections to be conducted under supervision of the Secretary where it finds union election was improperly conducted;

(33) Preserves members' rights to enforce union's constitution under State laws with respect to trusteeships and safeguarding fair procedures before an election;

(34) A congressional declaration of policy favoring voluntary self-policing, through adoption and implementation of codes of ethical practices, by labor organizations and employers;

(35) Establishment of an Advisory Committee on Ethical Practices composed of representatives of the public, labor organizations, and employers;

(36) Eliminates the "no-man's land" in labor-management relations by directing the National Labor Relations Board to exercise jurisdiction directly or with the aid of State agencies in all cases within its competence;

(37) State agencies may, by agreement with the National Labor Relations Board, administer the Federal act in accordance with procedures and substantive law applicable with regard to cases processed by the NLRB;

(38) Subjects shakedown picketing to criminal sanctions;

(39) Bans demand and acceptance by unions or union representatives of payments from interstate truckers of improper unloading fees;

(40) Permits with appropriate safeguards, prehire and 7-day union shop agreements in the building and construction industry;

(41) Clarification of the propriety of employer contributions to joint union-management apprenticeship funds;

(42) Restoration of voting rights to economic strikers;

(43) Criminal penalties for embezzlement, conversion, etc., of union funds;

(44) Establishes a prehearing election procedure with respect to labor disputes in which there are no substantive issues present in order to speed up the handling of cases by the National Labor Relations Board;

(45) Authorizes the President to appoint an acting General Counsel to the National Labor Relations Board when a vacancy occurs in that office.

These and other provisions of the bill not included in the foregoing brief summary represent a major attack on the abuses and problems

identified by recent investigations. No bill in the committee's view can be written which will close completely the many avenues which the criminal can devise to carry on his nefarious activity, without at the same time wrecking important institutions, violating cardinal precepts of law, and undermining the principles upon which a free society is based.

The bill is designed to prevent, discourage, and make unprofitable improper conduct on the part of union officials, employers, and their representatives by requiring reporting of arrangements, actions, and interests which are questionable. In some instances, the matters to be reported are not illegal and may not be improper. But only full disclosure will enable the persons whose rights are affected, the public and the Government to determine whether the arrangements or activities are justifiable, ethical, and legal.

In addition to comprehensive reporting the bill provides criminal penalties for actions which are clearly improper such as the embezzlement of union funds, tampering with or destroying union records, bribing employee representatives, and violation of the trusteeship or election provisions of the bill.

The Subcommittee on Labor held intensive hearings on all of the relevant bills before it. It considered all of the proposals and suggestions made during the hearings and studied each of the bills pending. S. 505, on which S. 1555 is based, was modified to include those recommendations which strengthened the bill and increased its effectiveness. The Committee on Labor and Public Welfare carefully considered the bill reported by the subcommittee and made a number of substantial changes.

The committee reports this bill favorably after lengthy consideration this year and on the basis of a substantial record and extensive debate on a similar bill in the 85th Congress. The committee recognizes that in addition to the major steps to correct labor and management abuses taken by this bill, further attention should be directed to amendments in the laws governing labor-management relations. To assist it in this task, the committee has appointed a distinguished panel of experts to advise it on appropriate modifications in existing law. This advisory panel is expected to make its report later in the session, and it is the intention of the committee to move forward in the area of major revision of our labor-management law as soon as practicable.

PART II—BACKGROUND AND GENERAL APPROACH OF THE BILL

A strong independent labor movement is a vital part of American institutions. The shocking abuses revealed by recent investigations have been confined to a few unions. The overwhelming majority are honestly and democratically run. In providing remedies for existing evils the Senate should be careful neither to undermine self-government within the labor movement nor to weaken unions in their role as the bargaining representatives of employees.

It is plain that the trade union movement in the United States is facing difficult internal problems and—because of these internal problems—tensions with the surrounding community. The problems of this now large and relatively strong institution are not unlike the difficulties faced by other groups in American society which aspire

to live by the same basic principles and values within their group as they hold ideal for the whole community. But equal rights, freedom of choice, honesty, and the highest ethical standards are built into changing institutions only after struggle. Trade unions have grown well beyond their beginnings as relatively small, closely knit associations of workingmen where personal, fraternal relationships were characteristic. Like other American institutions some unions have become large and impersonal; they have acquired bureaucratic tendencies and characteristics; their members like other Americans have sometimes become apathetic in the exercise of their personal responsibility for the conduct of union affairs. In some few cases men who have risen to positions of power and responsibility within unions have abused their power and neglected their responsibilities. In some cases the structure and procedures necessary for trade unions while they were struggling for survival are ill adapted to their new role and to changed conditions; they are not always conducive to efficient, honest, and democratic practices.

Whatever the causes, the problems are recognized by those within as well as those outside the union movement. The action of the American Federation of Labor–Congress of Industrial Organizations in recognizing the importance of adherence to traditional principles of ethical conduct and trade union democracy and in formulating and implementing codes of ethical practices to carry out these established principles, is a dramatic and convincing demonstration of the trade union movement's desire to conduct its internal affairs democratically and in accordance with high standards of trust. Nevertheless, effective measures to stamp out crime and corruption and guarantee internal union democracy, cannot be applied to all unions without the coercive powers of government, nor is the present machinery of the federation demonstrably effective in policing specific abuses at the local level.

It is also plain that there are important sections of management that refused to recognize that the employees have a right to form and join unions without interference and to enjoy freely the right to bargain collectively with their employer concerning their wages, working conditions, and other conditions of employment. The hearings of the McClellan committee have shown that employers have often cooperated with and even aided crooks and racketeers in the labor movement at the expense of their own employees. They have employed so-called middlemen to organize "no-union committees" and engage in other activities to prevent union organization among their employees. They have financed community campaigns to defeat union organization. They have employed investigators and informers to report on the organizing activities of employees and unions. It is essential that any legislation which purports to drive corruption and improper activities out of labor-management relations contain provisions dealing effectively with these problems.

The internal problems currently facing our labor unions are bound up with a substantial public interest. Under the National Labor Relations Act and the Railway Labor Act, a labor organization has vast responsibility for economic welfare of the individual members whom it represents. Union members have a vital interest, therefore, in the policies and conduct of union affairs. To the extent that union

procedures are democratic they permit the individual to share in the formulation of union policy. This is not to say that in order to have democratically responsive unions, it is necessary to have each union member make decisions on detail as in a New England town meeting. What is required is the opportunity to influence policy and leadership by free and periodic elections.

In acting on this bill the committee followed three principles:

1. The committee recognized the desirability of minimum interference by Government in the internal affairs of any private organization. Trade unions have made a commendable effort to correct internal abuses; hence the committee believes that only essential standards should be imposed by legislation. Moreover, in establishing and enforcing statutory standards great care should be taken not to undermine union self-government or weaken unions in their role as collective-bargaining agents.

2. Given the maintenance of minimum democratic safeguards and detailed essential information about the union, the individual members are fully competent to regulate union affairs. The committee strongly opposes any attempt to prescribe detailed procedures and standards for the conduct of union business. Such paternalistic regulation would weaken rather than strengthen the labor movement; it would cross over into the area of trade union licensing and destroy union independence.

3. Remedies for the abuses should be direct. Where the law prescribes standards, sanctions for their violation should also be direct. The committee rejects the notion of applying destructive sanctions to a union, i.e., to a group of working men and women, for an offense for which the officers are responsible and over which the members have, at best, only indirect control. Still more important the legislation should provide an administrative or judicial remedy appropriate for each specific problem.

The committee does not believe that the record demonstrates that the imposition of indirect sanctions, such as penalizing the union and its members for malpractices of its officers, would be effective in insuring compliance. Moreover, on the basis of information available to the committee, it is clear that the requirements of present law with respect to the filing of financial and other data have hampered the administration of the National Labor Relations Act, have disrupted labor-management relations and have been expensive to administer.

The bill reported by the committee, while it carries out all the major recommendations of the Senate select committee, does so within a general philosophy of legislative restraint. The bill does not spell out in detail all the standards which every trade union should follow. It recognizes the variety of situations to which its provisions must apply and, especially, the inadvisability and injustice of compelling unions to conform to a uniform statutory rule with respect to unimportant details of administration.

The test of a sound bill in this complex and relatively new legislative area is whether it is workable and will produce the desired results without destroying valued free institutions. The committee believes that the bill now reported possesses these attributes.

PART III. PRINCIPAL AREAS COVERED BY THE BILL, UNION FINANCIAL AND ADMINISTRATIVE PRACTICES

Labor organizations are creations of their members; union funds belong to the members and should be expended only in furtherance of their common interest. A union treasury should not be managed as the private property of union officers, however well intentioned, but as a fund governed by fiduciary standards appropriate to this type of organization. The members who are the real owners of the money and property of the organization are entitled to a full accounting of all transactions involving their property.

The financial conduct of labor unions and their officers is a proper concern of the Federal Government. This is so because the funds that pass through union treasuries and for which unions and their officers are responsible are very large, and the uses to which these funds are put have a substantial impact on the Nation's economy. Furthermore, if unions are to enjoy the protection of rights such as are guaranteed to them by the National Labor Relations Act and the Railway Labor Act, they ought also to be held responsible for abuses that have accompanied the exercise of these rights by some union leaders.

Similarly, the rules governing the conduct of the union's business, such as dues and assessments payable by members, membership rights, disciplinary procedures, election of officers, provisions governing the calling of regular and special meetings—all should be known to the members. Without such information freely available it is impossible that labor organizations can be truly responsive to the members which they serve.

This bill insures that full information concerning the financial and internal administrative regulations of labor organizations shall be in the first instance available to the members of such organization. In addition, this information is to be made available to the Government, and through the Secretary of Labor, is open to the inspection of the general public. By such disclosure, and by relying on voluntary action be members of labor organizations, abuses can be eradicated effectively.

Title I of the bill reported by the committee requires a labor organization which represents or seeks to represent employees in an industry or activity affecting commerce to file with the Secretary of Labor detailed information concerning its internal procedures and rules governing conduct of union business. The organization is required by this title to make this and the financial information referred to below available to its members in a manner prescribed by the Secretary of Labor. The information required to be filed by unions under this title is similar to that required by section 9(f) of the National Labor Relations Act. However, in this bill, all unions, whether or not they wish to use the facilities of the National Labor Relations Board, are required to file reports.

Section 101(b) of this title requires unions to file annual financial reports. In addition to a statement of assets and liabilities and a statement of receipts and expenditures, the report would show in detail salaries and allowances made to all officers and to each employee receiving income of more than $10,000 from labor organizations affiliated in the same international union. The salaries required to

be reported by this subsection would include reimbursed expenses and other direct or indirect disbursements to officers and employees. The report would list loans made either to employers or to union officers, employees, or members, with a statement of purpose, the security, if any, and arrangements for repayment of the loan.

If any person who is required to make a report under this title fails to file or files a report which the Secretary of Labor believes is incomplete or false, the Secretary is directed to institute a full investigation armed with the power of subpena and to make a report to persons having a legitimate interest in such information. This provision insures that union members will have all the vital information necessary for them to take effective action in regulating affairs of their trade union, either through voluntary compliance of the labor organization with the reporting requirements of the act or as a result of investigation and reports by the Secretary of Labor. The committee is confident that union members armed with adequate information and having the benefit of secret elections, as provided in title III of this bill, would rid themselves of untrustworthy or corrupt officers. In addition, the exposure to public scrutiny of all vital information concerning the operation of trade unions will help deter repetition of the financial abuses disclosed by the McClellan committee. Where union financial and other practices do not meet reasonable standards, although not willfully dishonest, this bill would have a remedial effect.

The financial and administrative reporting sections of this bill cover substantially the same ground as similar provisions in S. 748, introduced by Senator Goldwater on behalf of the administration. The principal difference between the bills is in the penalties imposed for violation. In addition to the criminal penalties provided by both bills, S. 748 would deny to the members, employers, and the public the protections offered by National Labor Relations Act in settling labor disputes. Under S. 748, where a union officer failed, willfully or otherwise, to file a report required by the bill, no representation case or other proceeding could be processed by the National Labor Relations Board. The committee bill, on the other hand, places both the labor organization and the officer under a positive obligation to make full and accurate reports, subject to criminal penalties.

To deny a union access to the National Labor Relations Board because its officers did not file a proper report is unwise for four reasons. First, it would be ineffective in the case of strong unions not dependent upon NLRB facilities; second, it is unfair to the members who have done no wrong but who would suffer both the denial of information and the loss of NLRB protection; third, the rights and duties created by the National Labor Relations Act exist for the benefit of the public, and such legal obligations should be enforced equally in all cases, not traded off against one another as a system of rewards and punishments; and, finally, experience with a similar provision in the present law clearly demonstrates that conditioning the use of the NLRB processes on compliance with not wholly related requirements such as this can result in a frustration of the principal purpose of the Labor Management Relations Act, that is, settlement of labor disputes in an orderly, efficient, and expeditious manner. In short, the committee is convinced that such a procedure is costly, cumbersome, and of doubtful efficacy.

The committee finds that it would also be unsound and unfair to use the labor unions' present freedom from the income tax (if indeed union receipts are susceptible to conventional taxation standards) as a method of coercing obedience to legal duties. In some cases the penalty would be negligible. In other cases the financial penalties might be heavy and out of proportion to the offense. As a result the enforcement agency would be forced to choose between imposing an excessive penalty and overlooking the violation. To create such dilemmas makes for unsound law enforcement. Again, the purpose of the legislation is to protect union members. Violations will be essentially a wrong done by the officers against the members. To deny the union the usual income-tax exemption would levy a heavy penalty upon the members who were the ultimate owners of the union's property and who committed no offense.

It should be clearly understood, however, that the committee's bill would lay penalties directly upon labor organizations which violated the act. A labor organization is a "person" under the definition in section 501(c). Therefore if a labor organization fails to file a financial report or files a false report, it can be prosecuted and fined as much as $10,000 on each count under section 108. The union officers charged with filing reports could also be prosecuted under the same action, for subsection (d) provides for personal as well as organizational responsibility. Furthermore, if any union officer is convicted under these sections, the labor organization is required by section 305(b) to remove him. If the union fails, it is subject to criminal prosecution under section 305(c). The committee bill also forbids payment of fines or defense costs by a labor organization or employer for a person indicted or convicted of a violation of the act. However, in the event that any such person is acquitted of such charges, he may be reimbursed for the expenses involved.

MANAGEMENT REPORTING AND THE PROBLEM OF THE MIDDLEMAN

The committee notes that in almost every instance of corruption in the labor-management field there have been direct or indirect management involvements. The report of the McClellan committee describes management middlemen flitting about the country on behalf of employers to defeat attempts at labor organization. In some cases they work directly on employees or through committees to discourage legitimate organizational drives or set up company-dominated unions. These middlemen have been known to negotiate sweetheart contracts. They have been involved in bribery and corruption as well as unfair labor practices. The middlemen have acted, in fact if not in law, as agents of management. Nevertheless, an attorney for the National Labor Relations Board has testified before the McClellan committee that the present law is not adequate to deal with such activities.

The committee believes that employers should be required to report their arrangements with these union-busting middlemen. Further, the Committee on Labor and Public Welfare has received evidence in prior hearings showing that large sums of money are spent in organized campaigns on behalf of some employers for the purpose of interfering with the right of employees to join or not to join a labor organization of their choice, a right guaranteed by the National Labor Relations

Act. Sometimes these expenditures are hidden behind committees or fronts; however the expenditures are made, they are usually surreptitious because of the unethical content of the message itself. The committee believes that this type of activity by or on behalf of employers is reprehensible. These expenditures may or may not be technically permissible under the National Labor Relations or Railway Labor Acts, or they may fall in a gray area. In any event, where they are engaged in they should be exposed to public view, for if the public has an interest in preserving the rights of employees then it has a concommitant obligation to insure the free exercise of them.

Similarly, expenditures have been made in the past by employers surreptitiously and through labor spies, to obtain information about employees and unions. This type of activity certainly is not conducive to sound and harmonious labor relations.

The committee bill attacks these problems on three fronts.

First, it makes improper payments by management middlemen criminal offenses under section 302 of the Labor-Management Relations Act. Section 302 already prohibits any payment by an employer to any representative of any of his employees except for wages, checked-off dues, payments to specified kinds of trust funds. Section 111 of the committee bill would make section 302 applicable to—

> any person who acts as a labor relations expert, adviser or consultant or who acts in the interest of an employer.

Under the bill the management middlemen who make illicit payments can be prosecuted without proof that the payments were authorized or ratified by the employer or otherwise within the scope of the middleman's employment.

Second, the committee bill expands section 302 to cover both payments made to employees for the purpose of influencing their organizational activities and also payments made to union officials with intent to influence them in the performance of such duties. This amendment is necessary to prosecute activities such as Nathan Shefferman conducted in the interest of his management clients.

Third, the committee bill relies upon a system of reporting and disclosure to apply further corrective curbs on improper employer activity. Under section 103(a) an employer will be required to disclose any payments made by him to persuade employees not to exercise or as to the manner of exercising their right to organize and bargain collectively. Under this section an employer is required to report any direct expenditures during any fiscal year for the purpose of persuading employees in the exercise of their right to organize and bargain collectively as long as such expenditures do not involve regular wage payments or expenditures to improve working conditions or provide other employee benefits. Also exempt from the reporting requirements are expenditures which an employer makes in his own name to communicate information to his employees including any kind of written or oral statement or advertisement. Under this subsection an employer would not be required to report expenditures made to obtain information for use solely in a judicial administrative or arbitration proceeding, nor would he be required to report expenditures to obtain legal advice in connection with labor management relations. An employer who has not made any such expenditures would not be required to file any reports under this bill. An employer

would also be required to make a report of expenditures pursuant to an agreement with labor relations consultant or other person who undertakes to interfere with the right of employees to organize and bargain collectively. An employer would also have to report direct or indirect payments or loans to labor organizations or their officers or employees unless the payments were in the form of wages or were made pursuant to a contract the terms of which were fully disclosed to the employees in the bargaining unit.

Under section 103(b) every person who enters into an agreement with an employer to persuade employees as regards the exercise of their right to organize and bargain collectively or to supply an employer with information concerning the activity of the employees or labor organizations in connection with a labor dispute would be required to file a detailed report. An attorney or consultant who confines himself to giving legal advice, taking part in collective bargaining and appearing in court or administrative proceedings would not be included among those required to file reports under this subsection. Specific exemption for persons giving this type of advice is contained in subsection (c) of section 103.

All of the activities required to be reported by this section are not illegal nor are they unfair labor practices. However, since most of them are disruptive of harmonious labor relations and fall into a gray area, the committee believes that if an employer or a consultant indulges in them, they should be reported. This public disclosure will accomplish the same purpose as public disclosure of conflicts of interest and other union transactions which are required to be reported in sections 101 and 102 of this bill.

RACKETEERING, CORRUPTION, AND CONFLICTS OF INTEREST

Widespread public concern over internal conditions in labor unions has resulted from sensational stories about the activities of criminal elements who forced their way into the labor movement and exploited the workers whom they pretended to serve. Too little emphasis has been given to the fact that hoodlums operated in relatively few unions. The overwhelming majority are strong and democratic. Union officers and members are already moving to expel the crooks and racketeers, notably through the work of the AFL–CIO ethical practices committee. The ultimate responsibility rests upon individual union members to insure that their unions are efficiently and honestly run by taking a more active interest in the affairs of their organizations. Voluntary efforts will be speeded and strengthened by the provisions of the committee bill requiring full financial reports and public disclosures.

Racketeering, crime, and corruption must be stamped out in the labor and management field as elsewhere. The committee bill carries strong measures for driving criminals from labor unions. Its provisions will also bring to light possible conflicts of interest and similar shadowy transactions through which unscrupulous union officials and employers sacrifice the welfare of employees to personal advantage.

Section 109 would create a new Federal crime of embezzlement of any funds of a labor organization. Conviction would carry a fine up to $10,000 and 5 years' imprisonment.

Section 108 of the committee bill makes it a crime to willfully destroy, or make false entries in the books or records of unions, employers, and middlemen subject to the bill.

Section 305(a) excludes from union office any person who within 5 years preceding service as a union officer was imprisoned as a result of conviction of certain major crimes such as bribery, extortion, robbery, embezzlement, arson, and murder. The committee recognized that under certain circumstances, such as innocent involvement, crimes committed by a minor, or lapse of time, holding union office would not be detrimental to the public interest. Therefore, a person could serve as a union officer under this section if his civil rights, having been suspended because of conviction of the enumerated crimes, had been fully restored. The bill also permits the Secretary of Labor on application and after hearing to find that the services of such person would not be inconsistent with the attainment of the purposes of the act.

Section 302(b) bars from positions of trust in a labor union any person who has been convicted of violating the reporting sections of the bill. The section also makes it a crime for a labor organization or officer thereof knowingly to permit any such person to assume or hold office after conviction.

Section 111 of the committee bill strengthens section 302 of the Labor-Management Relations Act by making it applicable to all forms of extortion and bribery in labor-management relations some of which may slip through the present law.

Section 302(a) of the Labor-Management Relations Act provides—

> It shall be unlawful for any employer to pay or deliver, or to agree to pay or deliver, any money or other thing of value to any representative of any of his employees who are employed in an industry affecting commerce.

Section 302(b) forbids the receipt of such payments. Section 302(c) excepts the payment of wages, the checkoff of union dues upon proper authorization, payments to specified trust funds, and other legitimate transactions.

Although these provisions of existing law would punish most forms of bribery or extortion if they were vigorously enforced by prosecuting officers, the testimony before the McClellan committee revealed loopholes which both employer representatives and union officials turned to advantage at the expense of employees. The committee bill proposes to close the loopholes. The provisions dealing with management abuses are discussed below.

Ventimiglia v. *United States* (242 F. 2d 620 (4th Cir. 1957)), illustrates one inadequacy of the present law in respect of union representatives. The employer had a nonunion construction job underway when the business agent of the local roofers' union objected. Eventually, the business agent agreed to issue working permits to the nonunion employees in return for monthly payments of $100. The court set aside a conviction under section 302 on the ground that neither the roofers' union nor the business agent was technically a "representative" of any of the employer's employees. The committee bill corrects this defect by adding a new subdivision proscribing payments to any labor organization, or any officer or employee, which is seeking to represent or would admit to membership any of the employees of the employer. Another subdivision would make it a crime for a union officer to solicit or accept a bribe "intended to influence him in respect to his actions, decisions, or duties as a representative of

employees or as an officer or employee of a labor organization." Employers will also be protected, under the bill, against shakedown picketing.

Finally, the committee bill outlaws the growing malpractice of exacting arbitrary fees for the so-called "privilege" of loading or unloading trucks, fees for which no work is done and which go to the benefit of the union or another person other than the one performing the work.

Section 111 of the bill amends section 302 of the Labor-Management Relations Act to make it unlawful for any person acting as an officer or agent of a union to demand or accept from the operator of a motor vehicle employed in the transportation of property in commerce, any fee or charge for the unloading of cargo of such a vehicle except payments by an employer to any of his employees as compensation for their services as employees.

Enactment of the sections of the committee bill described above would punish criminal activity in the conduct of union affairs. It would drive criminals from the labor movement. The committee bill also goes on to deal with breaches of trust and other shady transactions which, although not seriously criminal, nevertheless are incompatible with a strong and honestly run labor movement.

For centuries the law has forbidden any person in a position of trust to hold interests or enter into transactions in which self-interest may conflict with complete loyalty to those whom they serve. Such a person may not deal with himself, or acquire adverse interests, or make any personal profit as a result of his position. The same principle has long been applied to trustees, to agents, and to bank directors. It is equally applicable to union officers and employees. The ethical practices code of the American Federation of Labor and Congress of Industrial Organizations states—

> It is too plain for extended discussion that a basic ethical principle in the conduct of union affairs is that no responsible trade union official should have a personal financial interest which conflicts with the full performance of his fiduciary duties as a workers' representative.

After the McClellan committee hearings no one can dispute the simple fact that although the vast majority of union officials are honest and conscientious men, a small number have ignored this basic standard of conduct. No one would deny that the conduct is wrong. The wrongs should not be ignored by the Federal Government. The national labor policy is founded upon collective bargaining through strong and vigorous unions. Playing both sides of the street, using union office for personal financial advantage, undercover deals, and other conflicts of interest corrupt, and thereby undermine and weaken the labor movement. The Congress should check the abuses in order to foster the national labor policy. The Government which vests in labor unions the power to act as exclusive bargaining representative must make sure that the power is used for the benefit of workers and not for personal profit.

The committee bill attacks the problem by requiring union officers and employees to file reports with the Secretary of Labor disclosing to union members and the general public any investments or transactions in which their personal financial interests may conflict with

EXHIBIT NO. 2

Reports Required Under the LMRDA and the CSRA

U.S. Department of Labor
Employment Standards Administration
Office of Labor-Management Standards
2007

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Reports Required Under the LMRDA and the CSRA

U.S. Department of Labor
Elaine L. Chao, Secretary

Employment Standards Administration
Victoria Lipnic, Assistant Secretary

Office of Labor-Management Standards
2007

Contents

Introduction

This pamphlet provides general information about the reports that the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA) and the Civil Service Reform Act of 1978 (CSRA) require to be filed with the U.S. Department of Labor by labor unions, union officers and employees, employers, labor relations consultants, and surety companies.

The LMRDA applies to labor organizations which represent private sector employees and U.S. Postal Service employees while the CSRA applies to labor organizations which represent employees in most agencies of the executive branch of the federal government. The regulations implementing the standards of conduct provisions of the CSRA incorporate many LMRDA provisions, including those related to labor organization reporting requirements. (Federal sector labor organizations subject to the Foreign Service Act or the Congressional Accountability Act are also required to file the union reports described in this pamphlet.)

All reports must be filed with the U.S. Department of Labor, Employment Standards Administration, Office of Labor-Management Standards (OLMS). Each reporting form prescribed by OLMS and the type of information to be reported are discussed in this pamphlet. The table at the back of this pamphlet lists the name and number of each form, the persons who are required to sign and file it, and its due date.

This pamphlet is designed to assist those subject to the reporting requirements of the LMRDA or the CSRA. It presents general information about the provisions of the laws and should not be construed as an official interpretation of their provisions. Detailed instructions concerning completion of the forms and information to be reported are included with the reporting forms.

General Reporting Requirements

The Labor-Management Reporting and Disclosure Act of 1959 (LMRDA), and the Civil Service Reform Act of 1978 (CSRA) require certain reports to be filed with the U.S. Department of Labor.

Who Must Report

The reporting requirements apply to labor organizations, except state or local central bodies and unions representing only public employees whose employer is any state or political subdivision of a state, such as a county or municipality. An intermediate body that is subordinate to a national or international labor organization covered by the LMRDA, however, is subject to the reporting requirements even if it does not represent any private sector employees. In addition, these requirements also apply to

- officers and employees of such unions,
- employers,
- labor relations consultants, and
- surety companies.

How to File

The Form LM-2 and the Form T-1 must be filed electronically as discussed on page 8. Form LM-3 and Form LM-4 may be filed electronically as discussed on page 9. All other forms may be completed using software available at http://www.dol.gov/esa/regs/compliance/olms/GPEA_Forms/blanklmforms.htm but must be printed, signed manually, and filed with the U.S. Department of Labor at the following address:

U.S. Department of Labor
ESA/OLMS, Room N-5616
200 Constitution Avenue, NW
Washington, DC 20210-0001

Public Disclosure

All reports are public information, and the Secretary of Labor may publish any information or data obtained from reports filed under the reporting provisions of the LMRDA or CSRA.

Individuals may examine labor organization annual financial reports, union officer and employee reports, and employer and labor relations consultant reports free of charge or purchase copies via the OLMS Internet Public Disclosure Room at: http://www.union-reports.dol.gov. Anyone with a computer and internet connection can view and print copies of these reports for year 2000 and later in pdf format. Individuals can also conduct searches of union records and generate reports based on user-selected search criteria.

Any person may examine reports and related documents free of charge or may purchase copies for 15 cents per page at the OLMS Public Disclosure Room in Room N-5608 at 200 Constitution Avenue, NW, Washington, DC 20210-0001.

For more information, please see our pamphlet, *Public Disclosure Under the LMRDA*, at **www.olms.dol.gov**.

Recordkeeping

Every person who is required to file a report under the LMRDA or the CSRA, either as an individual or as an officer of a union or employer, is responsible for maintaining records which will provide in sufficient detail the information and data necessary to verify the accuracy and completeness of the report. These records must be kept for at least 5 years after the date the report is filed. Any record necessary to verify, explain, or clarify the report must be retained, including, but not limited to, vouchers, worksheets, receipts, and applicable resolutions. For more information about union recordkeeping, please see our fact sheet, *LMRDA Recordkeeping Requirements for Unions*, at **www.olms.dol.gov**.

Enforcement

Civil Enforcement

OLMS has authority to conduct investigations concerning compliance with the reporting requirements of the LMRDA and the CSRA. The Secretary of Labor may file civil actions in Federal courts to restrain violations and ensure compliance with the LMRDA reporting requirements.

Enforcement of the CSRA reporting requirements is through administrative action which involves the filing of a complaint by OLMS, a hearing before a Department of Labor administrative law judge, the judge's report and recommendation, and a decision and order by the Assistant Secretary for Employment Standards.

Criminal Penalties

The following acts are made criminal under the LMRDA:

- Willfully failing to file a report or keep required records;
- Knowingly making a false statement or representation of a material fact or knowingly failing to disclose a material fact in a report or other required document; and
- Willfully making a false entry in, or withholding, concealing, or destroying documents required to be kept.

These acts are punishable by a fine of not more than $100,000, imprisonment for not more than 1 year, or both.

Filing a false report under the CSRA is a violation of 18 U.S.C. 1001 punishable by a fine of not more than $250,000, imprisonment for not more than 5 years, or both.

Union Reports

Form LM-1

Information Reports

The LMRDA and the CSRA regulations require that every covered union adopt a constitution and bylaws and file two copies with OLMS, along with a Labor Organization Information Report, Form LM-1, providing certain information about the structure, practices, and procedures of the union.

Deadline. The initial information report, Form LM-1, is due within 90 days after the union first becomes subject to the LMRDA or the CSRA.

Signatures. Form LM-1 must be signed by the president and secretary or corresponding principal officers of the reporting union.

Reporting Information. Form LM-1 requires information such as:

- identification of the union
- identification of officers
- rates of dues and fees
- fiscal year ending date

Additionally, labor organizations (except Federal employee labor organizations subject solely to the CSRA) must indicate where in the union's constitution and bylaws certain practices and procedures are described or, if not in the constitution, provide a detailed statement describing the practices and procedures. Among the items to be reported are practices for:

- authorizing disbursement of funds
- selecting officers and other union representatives
- protesting a defect in the election of officers
- disciplining and removing officers
- fining, expelling, and suspending members
- ratifying contract terms
- authorizing strikes

All reporting unions except Federal employee unions subject solely to the CSRA are required to file an amended Form LM-1 to update the information on file with OLMS if there have been any changes in the reported practices and procedures which are not contained in the union's constitution and bylaws. The amended Form LM-1 must be filed with the union's annual financial report (Forms LM-2, LM-3, or LM-4, as discussed below) for the reporting period in which the change occurred.

File Number Assignment. OLMS assigns a six-digit file number to each union filing a Form LM-1. OLMS acknowledges receipt of each Form LM-1 and informs the union of its file number which must be entered on its annual financial reports and on all correspondence with OLMS.

Reporting Forms

Annual Financial Reports

Unions must file an annual financial report on one of three Labor Organization Annual Reports, Forms LM-2, LM-3, or LM-4. The three forms vary in the level of financial details which must be reported. The filing requirements are determined by the total annual receipts of the union:

- **Form LM-2** – This most detailed annual report must be filed by unions with total annual receipts of $250,000 or more and those in trusteeship.
- **Form LM-3** – This less detailed annual report may be filed by unions with total annual receipts of less than $250,000 if not in trusteeship.
- **Form LM-4** – This abbreviated annual report may be filed by unions with less than $10,000 in total annual receipts if not in trusteeship.

Deadline. The annual financial report is due within 90 days after the end of the union's fiscal year.

Signatures. Forms LM-2, LM-3, or LM-4 must be signed by the president and treasurer or corresponding principal officers of the reporting union.

Form LM-2

Reporting Information. Form LM-2 is the most detailed annual financial report requiring completion of 21 information items, 47 financial items, and 20 supporting schedules. Information to be reported includes

- whether the union has any trusts in which the union is interested as defined in the instructions
- whether the union has a political action committee (PAC)
- whether the union discovered any loss or shortage of funds
- whether the union had an audit of its books or records
- rates of dues and fees
- 7 asset categories such as cash and investments
- 4 liability categories such as accounts payable and mortgages payable
- 13 receipt categories such as dues and interest
- 16 disbursement categories such as benefits and repayment of loans obtained
- a schedule of payments to officers
- a schedule of payments to employees
- a schedule of loans payable
- a schedule of loans receivable
- an accounts receivable aging schedule
- an accounts payable aging schedule
- a schedule of membership status

- six functional schedules itemizing individual receipts or disbursements of $5,000 or more and total receipts or disbursements to a single entity or individual that aggregate to $5,000 or more
  - other receipts
  - representational activities
  - political activities and lobbying
  - contributions, gifts, and grants
  - general overhead
  - union administration

Form T-1

For fiscal years beginning on or after January 1, 2007, a labor organization with total annual receipts of $250,000 or more must file Form T-1 for each trust in which it is interested, if the union's financial contribution to the trust, or a contribution made on the union's behalf or as a result of a negotiated agreement to which the union is a party, was $10,000 or more during the reporting year and the trust had $250,000 or more in annual receipts.

A trust in which a labor organization is interested is a trust or other fund or organization (1) which was created or established by a labor organization or one or more of the trustees or one or more members of the governing body of which is selected by a labor organization and (2) a primary purpose of which is to provide benefits for the members of the labor organization or their beneficiaries.

Reporting Information. Form T-1 requires the completion of 20 information items, 4 financial items, and 3 supporting schedules. Information to be reported includes

- identifying information on the labor organization and the trust
- purpose of the trust
- whether the trust discovered any loss or shortage of funds
- whether the trust made any loans to any officer or employee of the reporting labor organization at below market rates
- whether the trust liquidated any loans receivable from officers or employees of the reporting labor organization without full receipt of principal and interest
- total assets of the trust
- total liabilities of the trust
- total receipts of the trust
- total disbursements of the trust
- two schedules itemizing individual receipts or disbursements of $10,000 or more and total receipts or disbursements to a single entity or individual that aggregate to $10,000 or more
- a schedule of payments to officers and employees

A labor organization may complete only 15 information items on Form T-1 if an annual audit of the trust is prepared according to the standards listed in the instructions for the form and a copy of the audit is filed with the Form T-1.

Deadline. Form T-1 must be filed within 90 days after the end of the union's fiscal year.

Signatures. Form T-1 must be signed by the president and treasurer or corresponding principal officers of the reporting union.

Filing. The Form LM-2 and the Form T-1 must be prepared using software obtained from the OLMS Web site:

Form LM-2: http://www.dol.gov/esa/regs/compliance/olms/revisedlm2.htm
Form T-1: http://www.dol.gov/esa/regs/compliance/olms/newt1.htm

The reports must be signed with digital signatures and submitted electronically. Information on obtaining electronic signatures is available at:

http://www.dol.gov/esa/regs/compliance/olms/digital-signatures.htm

Temporary Hardship Exemption. If a labor organization experiences unanticipated technical difficulties that prevent the timely electronic preparation and submission of the Form LM-2 or the Form T-1, the organization may file a paper format report by the required due date. An electronic format copy of the report must then be filed within 10 business days after the required due date.

Continuing Hardship Exemption. If a labor organization knows in advance that the Form LM-2 or the Form T-1 cannot be filed electronically without undue burden or expense, it may apply in writing for a continuing hardship exemption. The application must be received by OLMS at least 30 days before the required due date. The application must be mailed to the following address:

U.S. Department of Labor
ESA/OLMS, Room N-5609
200 Constitution Avenue, NW
Washington, DC 20210

The application must include, but not be limited to, the following:

- the requested time period of the exemption not to exceed one year
- the justification for the requested time period
- a description of the burden and expense that the labor organization would incur if it was required to make an electronic submission
- the reasons for not submitting the report electronically

The continuing hardship exemption shall not be deemed granted until OLMS notifies the labor organization in writing.

Additional Information. The OLMS Web site at **www.olms.dol.gov** contains extensive information about the Form LM-2 and the Form T-1.

Form LM-3

Reporting Information. Form LM-3 is less detailed, requiring the completion of 23 information and 32 financial items. Information to be reported includes:

- whether the union has any subsidiary organizations
- whether the union has a PAC
- whether the union discovered any loss or shortage of funds
- number of members
- rates of dues and fees
- payments to officers
- 6 asset categories and 4 liability categories
- 6 receipt categories
- 10 disbursement categories

Form LM-4

Reporting Information. Form LM-4 is the least detailed annual financial report, requiring completion of 13 information and 5 financial items. Information to be reported includes:

- whether the union changed its rates of dues and fees
- whether the union discovered any loss or shortage of funds
- number of members
- total value of assets
- total liabilities
- total receipts
- total disbursements
- total amount of payments to officers and employees

Software for electronically completing and filing Form LM-3 and Form LM-4 is available from the OLMS Web site:

Form LM-3:
http://www.dol.gov/esa/regs/compliance/olms/lm3_downloadpg.htm
Form LM-4:
http://www.dol.gov/esa/regs/compliance/olms/lm4_downloadpg.htm

Simplified Annual Reports

A local union that has no assets, liabilities, receipts, or disbursements, and which is not in trusteeship, is not required to file an annual report if its parent union files a simplified annual report on its behalf. In order to be eligible for this simplified annual reporting, the local must be governed solely by a uniform constitution and bylaws filed with OLMS by its parent union and its members must be subject to uniform fees and dues applicable to all members of the local unions for which the parent union files simplified reports. The parent union must submit annually to OLMS certain basic information about the local, including the names of all officers, together with a certification signed by the president and treasurer of the parent union.

If a parent body holds funds in the name of a local union and receives and disburses funds on behalf of the local, the local is considered to have receipts and disbursements and is not eligible to have a simplified annual report filed on its behalf by the national organization.

Terminal Labor Organization Reports

Any union which has gone out of existence by disbanding, merging into another organization, or being merged and consolidated with one or more labor organizations to form a new organization must file a terminal report. The terminal report must be filed on Form LM-2 if the union filed its last annual report on Form LM-2. It may be filed on Form LM-3 if the union filed its last annual report on Form LM-3, and its total receipts for the part of the fiscal year during which it was in existence were less than $250,000. It may be filed on Form LM-4 if the union filed its last annual report on Form LM-4, and its total receipts for the part of the fiscal year during which it was in existence were less than $10,000.

Deadline. The terminal report should be filed within 30 days after the effective date of the union's termination or loss of reporting identity.

Signatures. The terminal report, Forms LM-2, LM-3, or LM-4, must be signed by the president and treasurer or corresponding principal officers who were serving at the time of termination.

Reporting Information. This report must contain a detailed statement of the circumstances and effective date of the union's termination or loss of reporting identity. A union which is absorbed into another must report the name, address, and file number of the union into which it has been merged. The terminal report must reflect the union's financial condition at the time of termination or loss of reporting identity, must describe plans for the disposition of the organization's cash and other assets, and must cover the period from the beginning of the fiscal year through the date of termination.

Trusteeship Reports

"Trusteeship" is defined in the LMRDA as "any receivership, trusteeship, or other method of supervision or control whereby a labor organization suspends the autonomy otherwise available to a subordinate body under its constitution or bylaws."

Reporting Forms. Trusteeship reports must be filed using the following forms:

- Form LM-15 - Trusteeship Report
- Form LM-16 - Terminal Trusteeship Report
- Form LM-15A - Report on Selection of Delegates and Officers

Signatures. All trusteeship reports on Forms LM-15, LM-15A, and LM-16 and the Form LM-2 filed on behalf of a trusteed subordinate union must be signed by the president and treasurer or corresponding principal officers of the parent union and by the trustees of the subordinate union.

Form LM-15

Initial Reports. Within 30 days after imposing a trusteeship over a subordinate union, the parent union must file an initial Trusteeship Report, Form LM-15, to disclose the reasons for the trusteeship, when it was established, the financial condition of the trusteed union at the time the trusteeship was established, and other required information.

Semiannual Reports. Within 30 days after the end of each 6-month period for the duration of the trusteeship, the parent union must file a semiannual report, on Form LM-15, explaining its reasons for continuing the trusteeship.

Annual Financial Reports. For the duration of the trusteeship, the parent union must file an annual financial report on Form LM-2 on behalf of the trusteed subordinate union within 90 days after the end of the trusteed union's fiscal year.

If the trusteed union made any changes during the reporting year in the practices and procedures listed in the instructions for Item 18 of the Form LM-2, the parent union must file an amended Form LM-1 with the Form LM-2.

Form LM-16

Terminal Reports. Within 90 days after the termination of the trusteeship, or the loss of identity as a reporting organization by the trusteed union, the parent union must file a Terminal Trusteeship Report, Form LM-16, disclosing: the date and method of terminating the trusteeship; the names, titles, and method of selecting the subordinate union's officers; and other required information. A terminal trusteeship financial report on Form LM-2 must also be filed within 90 days after the termination of the trusteeship.

Form LM-15A

Report on Selection of Delegates and Officers. Form LM-15A must be filed with an initial, semiannual, or terminal trusteeship report if, during the period covered by the report, there was any:

- convention or other policy-determining body to which the subordinate union sent delegates or would have sent delegates if not in trusteeship; or
- election of officers of the union which imposed the trusteeship over the subordinate union.

The extent of the trusteed union's participation or nonparticipation in any such convention or election must be detailed on the Form LM-15A.

Other Requirements

The LMRDA requires every labor organization to:

- make available to all of its members information contained in all reports which must be filed with OLMS; and
- permit members, for just cause, to examine any books, records, and accounts necessary to verify such reports.

Members must file suit in state or Federal court to enforce these requirements. The CSRA contains similar provisions which are enforced by OLMS.

Other Reports

Form LM-30

Labor Organization Officer and Employee Reports

Conditions for Reporting. Union officers or employees (except employees performing exclusively clerical or custodial services) must file a Labor Organization Officer and Employee Report, Form LM-30, if they or their spouses or minor children

- Have any of the following interests or dealings related to an employer whose employees their union represents or is actively seeking to represent:
  - hold any securities or other interest in, or have any income or other benefit from, such an employer (except wages or other benefits received as bona fide employees);
  - have a part in any transaction involving securities or other interests in, or loans to or from, such an employer;
  - have any business transaction or arrangement with such an employer; or
  - have any securities or other interest in, or income or other benefit from, any business consisting in substantial part of buying from, selling or leasing to, or otherwise dealing with, such an employer;
- Have received any payment of money or other thing of value from an employer or a person who acts as a labor relations consultant for an employer, except payments permitted by § 302(c) of the Labor Management Relations Act, 1947 (see LMRDA § 505); or
- Have any securities or other interest in, or income or other benefit from, a business which buys from, or sells or leases to, or otherwise deals with, their union or any trusts in which their union is interested.

Non-Reportable Activities. Reports are not required on bona fide investments in securities traded on a registered national securities exchange, in shares of a registered investment company, in securities of a registered public utility holding company, or on any income from such bona fide investments.

Deadline. Labor organization officers and employees must file Form LM-30 within 90 days after the end of their fiscal year.

Signatures. Form LM-30 must be signed by the union officer or employee required to file it.

Form LM-10

Employer Reports

Conditions for Reporting. Employers must file annual reports to disclose certain specified financial dealings with their employees, unions, union agents, and labor relations consultants. Employer Report, Form LM-10, must be filed by employers to disclose:

- Payments or other financial arrangements (other than those permitted under § 302(c) of the Labor Management Relations Act, 1947, and payments and loans by banks and similar institutions) which they made to any union, its officers, or its employees;
- Payments to any of their employees for the purpose of causing them to persuade other employees with respect to their bargaining and representation rights, unless the other employees are told about these payments before or at the same time they are made;
- Payments for the purpose of interfering with employees in the exercise of their bargaining and representation rights, or obtaining information on employee or union activities in connection with labor disputes involving their company; and
- Arrangements (and payments made under these arrangements) with a labor relations consultant or any other person for the purpose of persuading employees with respect to their bargaining and representation rights, or for obtaining information concerning employee activities in a labor dispute involving their company.

Non-Reportable Activities. Employers need not report

- Bona fide wages and other benefits for regular services;
- Arrangements or expenditures solely for obtaining information in connection with an administrative, arbitral, or court proceeding;
- Payments permitted by § 302(c) of the Labor Management Relations Act, 1947, which exempts certain payments, such as compensation for an employee's service to an employer, payment of a court award, payment for an article bought at the market price in regular business dealings, deductions from wages for union membership dues made on proper written authorization from employees, and payments to trust funds for an employee's benefit when those funds meet certain detailed standards; or
- The services of a labor relations consultant or any other person with regard to advice which that consultant or person has given to the employer, or with regard to the consultant representing the employer in a proceeding of the type referred to above, or who agrees to engage in collective bargaining on behalf of the employer.

Deadline. Employers must file Form LM-10 within 90 days after the end of their fiscal year.

Signatures. Form LM-10 must be signed by the president and treasurer or corresponding principal officers of the company.

Labor Relations Consultant Reports

Form LM-20

Conditions for Reporting. Every person, including a labor relations consultant, who enters into an arrangement with an employer under which he or she undertakes activities where an object thereof is, directly or indirectly, to persuade employees about exercising their rights to organize and bargain collectively **or** obtain information about the activities of employees or a union in connection with a labor dispute involving the employer (except information solely for administrative, arbitral, or court proceedings) must file an Agreement and Activities Report, Form LM-20.

Form LM-21

Conditions for Reporting. Every person required to file a Form LM-20 also must file an annual Receipts and Disbursements Report, Form LM-21, if any payments were made or received during the fiscal year as a result of arrangements of the kind requiring the Form LM-20.

Deadline. Form LM-20 must be filed within 30 days after entering into each reportable agreement or activity. Form LM-21 is due within 90 days after the end of the consultant's fiscal year.

Signatures. Forms LM-20 and LM-21 must be signed by the president and treasurer or corresponding principal officers of the consultant firm or, if self-employed, by the consultant required to file them.

Surety Company Reports

Form S-1

Conditions for Reporting. Every surety company which issues any bond required by the LMRDA or the Employee Retirement Income Security Act of 1974 (ERISA) must file the Surety Company Annual Report, Form S-1, with OLMS regarding its bond experience under each act.

Deadline. Form S-1 must be filed within 150 days after the end of a surety company's fiscal year.

Signatures. Form S-1 must be signed by the president and treasurer or corresponding principal officers of the company.

NOTE: Forms LM-30, LM-10, LM-20, LM-21, and S-1 are not required under the CSRA.

OLMS Assistance

Staff is available to answer questions about the LMRDA at the OLMS Field Offices.

Atlanta District Office
61 Forsyth Street, SW, Room 8B85
Atlanta, GA 30303
(404) 562-2083

Birmingham Resident Investigator Office
950 22nd Street, North, Suite 601
Birmingham, AL 35203
(205) 731-0239

Boston District Office
JFK Federal Building, Room E-365
Boston, MA 02203
(617) 624-6690

Buffalo District Office
130 South Elmwood Ave., Suite 510
Buffalo, NY 14202
(716) 842-2900

Chicago District Office
230 South Dearborn Street, Room 774
Chicago, IL 60604
(312) 596-7160

Cincinnati District Office
36 East Seventh Street, Room 2550
Cincinnati, OH 45202
(513) 684-6840

Cleveland District Office
1240 East 9th Street, Room 831
Cleveland, OH 44199-2053
(216) 357-5455

Dallas District Office
525 Griffin Street, Room 300
Dallas, TX 75202
(972) 850-2500

Denver District Office
1999 Broadway, Suite 2435
Denver, CO 80201-6550
(720) 264-3232

Detroit District Office
211 West Fort Street, Room 1313
Detroit, MI 48226
(313) 226-6200

Grand Rapids Resident Investigator Office
800 Monroe Avenue NW, Room 211
Grand Rapids, MI 49503
(616) 456-2335

Honolulu Resident Investigator Office
300 Ala Moana Boulevard, Room 5-121
Honolulu, HI 96850
(808) 541-2705

Houston Resident Investigator Office
2320 LaBranch St., Room 1107
Houston, TX 77004
(713) 718-3755

Indianapolis Resident Investigator Office
46 E. Ohio St
Indianapolis, IN 46204
(317) 614-0013

Kansas City Resident Investigator
1100 Main Street, Room 950
Kansas City, MO 64105-5143
(816) 502-0290

Las Vegas Resident Investigator Office
600 Las Vegas Blvd. South, Suite 750
Las Vegas, NV 89101
(702) 388-6126

Los Angeles District Office
915 Wilshire Boulevard, Suite 910
Los Angeles, CA 90017
(213) 534-6405

Miami Resident Investigator Office
300 NE Third Avenue, Room 120
Ft. Lauderdale, FL 33301
(954) 356-6850

Milwaukee District Office
517 East Wisconsin Avenue, Room 737
Milwaukee, WI 53202-4504
(414) 297-1501

Minneapolis Resident Investigator Office
900 Second Avenue South, Room 450
Minneapolis, MN 55402
(612) 370-3111

Nashville District Office
233 Cumberland Bend Drive, Room 110
Nashville, TN 37228
(615) 736-5906

New Haven Resident Investigator Office
Giaimo Federal Building
150 Court Street, Room 209
New Haven, CT 06510
(203) 773-2130

New Orleans District Office
600 S. Maestri Place, Room 727
New Orleans, LA 70130
(504) 589-6174

New York District Office
201 Varick Street, Room 878
New York, NY 10014
(646) 264-3190

Newark Resident Investigator Office
190 Middlesex/Essex Turnpike, Room 204
Iselin, NJ 08830
(732) 750-5661

Philadelphia District Office
170 S. Independence Mall West, Room 760
Philadelphia, PA 19106-3310
(215) 861-4818

Pittsburgh District Office
1000 Liberty Avenue, Room 801
Pittsburgh, PA 15222
(412) 395-6925

Puerto Rico Resident Investigator Office
7 Tabanuco Street, Room 404
Guaynabo, PR 00968
(787) 277-1547

St. Louis District Office
1222 Spruce Street, Room 9, 109E
St. Louis, MO 63103
(314) 539-2667

San Francisco District Office
71 Stevenson Street, Room 440
San Francisco, CA 94105
(415) 848-6567

Seattle District Office
1111 Third Avenue, Room 605
Seattle, WA 98101
(206) 398-8099

Tampa Resident Investigator Office
4950 West Kennedy Boulevard, Room 240
Tampa, FL 33609
(813) 288-1314

Washington District Office
800 North Capitol Street, NW, Suite 120
Washington, DC 20002
(202) 513-7300

For More Information

- Visit OLMS online at **www.olms.dol.gov**.
- Send questions to **olms-public@dol.gov**.
- Call the DOL Help Line at **1-866-487-2365**.

Reports Required Under the LMRDA and the CSRA

– UNION REPORTS –

Form Number and Name	Report Required to be Filed by	Signatures Required	When Due
Form LM-1 (initial) Labor Organization Information Report	Each union subject to the LMRDA or CSRA	President and secretary or corresponding principal officers of the reporting union	Within 90 days after the union becomes subject to the LMRDA or CSRA
Form LM-1 (amended) Labor Organization Information Report	Each reporting union (except Federal employee unions) which made changes in practices and procedures listed in Item 18 of Form LM-1 which are not contained in the union's constitution and bylaws	President and treasurer or corresponding principal officers of the reporting union	With union's Forms LM-2, LM-3, or LM-4 within 90 days after the end of the union's fiscal year during which the changes were made
Form LM-2 Labor Organization Annual Report	Each reporting union with total annual receipts of $250,000 or more and by the parent union for subordinate unions under trusteeship	President and treasurer or corresponding principal officers of the reporting union or, if under trusteeship at time of filing, by the president and treasurer or corresponding principal officers of the parent union, and trustees of the subordinate union	Within 90 days after the end of the union's fiscal year or, if the union loses its reporting identity through dissolution, merger, consolidation, or otherwise, within 30 days after date of termination
Form T-1 Trust Annual Report	For fiscal years beginning on or after January 1, 2007, a labor organization with total annual receipts of $250,000 or more must file Form T-1 for each trust in which it is interested, if the union's financial contribution to the trust, or a contribution made on the union's behalf or as a result of a negotiated agreement to which the union is a party, was $10,000 or more during the reporting year and the trust had $250,000 or more in annual receipts.	President and treasurer or corresponding principal officers of the reporting union	Form T-1 must be filed within 90 days of the end of the labor organization's fiscal year. If a trust for which a labor organization was required to file a Form T-1 goes out of existence, a terminal financial report must be filed within 30 days after the date it ceased to exist. Similarly, if a trust for which a labor organization was required to file a Form T-1 continues to exist, but the labor organization's interest in that trust ceases, a terminal financial report must be filed within 30 days after the date that the labor organization's interest in the trust ceased.

Form LM-3 Labor Organization Annual Report	Each reporting union with total annual receipts of less than $250,000 may use the simplified Form LM-3 if not in trusteeship	President and treasurer or corresponding principal officers of the reporting union	Within 90 days after the end of the union's fiscal year or, if the union loses its reporting identity through dissolution, merger, consolidation, or otherwise, within 30 days after date of termination
LM-4 Labor Organization Annual Report	Each reporting union with total annual receipts of less than $10,000 may use the abbreviated Form LM-4 if not in trusteeship	President and treasurer or corresponding principal officers of the reporting union	Within 90 days after the end of the union's fiscal year or, if the union loses its reporting identity through dissolution, merger, consolidation, or otherwise, within 30 days after date of termination

– UNION TRUSTEESHIP REPORTS –

Form Number and Name	Report Required to be Filed by	Signatures Required	When Due
Form LM-15 (initial) Trusteeship Report (including Statement of Assets and Liabilities)	Each parent union which imposes a trusteeship over a subordinate union	President and treasurer or corresponding principal officers of the parent union, and trustees of the subordinate union	Within 30 days after imposing the trusteeship
Form LM-15 (semiannual) Trusteeship Report (excluding Statement of Assets and Liabilities)	Each parent union which continues a trusteeship over a subordinate union for 6 months or more	President and treasurer or corresponding principal officers of the parent union, and trustees of the subordinate union	Within 30 days after the end of each 6-month period during the trusteeship
Form LM-15A Report on Selection of Delegates and Officers	Each parent union which imposes a trusteeship over a subordinate union if during the trusteeship the parent union held any convention or other policy-determining body to which the subordinate union sent delegates or would have sent delegates if not in trusteeship, or the parent union conducted an election of officers	President and treasurer or corresponding principal officers of the parent union, and trustees of the subordinate union	As required, with Form LM-15 within 30 days after the imposition of the trusteeship or end of each 6-month period, or with Form LM-16 within 90 days after the end of the trusteeship or the subordinate union's loss of reporting identity through dissolution, merger, consolidation, or otherwise
Form LM-16 Terminal Trusteeship Report	Each parent union which ends a trusteeship over a subordinate union or if the union in trusteeship loses its reporting identity	President and treasurer or corresponding principal officers of the parent union, and trustees of the subordinate union	Within 90 days after the end of the trusteeship or the subordinate union's loss of reporting identity through dissolution, merger, consolidation, or otherwise

– OTHER REPORTS –

Form Number and Name	Report Required to be Filed by	Signatures Required	When Due
Form LM-10 Employer Report	Each employer which engages in certain specified financial dealings with its employees, unions, union officers, or labor relations consultants or which makes expenditures for certain objects relating to employees' or unions' activities	President and treasurer or corresponding principal officers of the reporting employer	Within 90 days after the end of the employer's fiscal year
Form LM-20 Agreement and Activities Report	Each person who enters into an agreement or arrangement with an employer to persuade employees about exercising their rights to organize and bargain collectively, or to obtain information about employee or union activity in connection with a labor dispute involving the employer	President and treasurer or corresponding principal officers of the consultant firm or, if self-employed, the individual required to file the report	Within 30 days after entering into such agreement or arrangement
Form LM-21 Receipts and Disbursements Report	Each person who enters into an agreement or arrangement with an employer to persuade employees about exercising their rights to organize and bargain collectively, or to obtain information about employee or union activity in connection with a labor dispute involving the employer	President and treasurer or corresponding principal officers of the consultant firm or, if self-employed, the individual required to file the report	Within 90 days after the end of the consultant's fiscal year
Form LM-30 Labor Organization Officer and Employee Report	Each union officer (including trustees of subordinate unions under trusteeship) and employee (other than employees performing exclusively clerical or custodial services), if the officer/employee, or the officer/employee's spouse, or minor child directly or indirectly had certain economic interests during past fiscal year	Union officers and employees required to file such reports	Within 90 days after the end of the union officer's or employee's fiscal year
Form S-1 Surety Company Annual Report	Each surety company having a bond in force insuring a welfare or pension plan covered by ERISA, or insuring any union or trust in which a union covered by the LMRDA is interested	President and treasurer or corresponding principal officers of the surety company	Within 150 days after the end of the surety company's fiscal year

EXHIBIT NO. 3

LMRDA Compliance

A Guide for New Union Officers

Congratulations on becoming a union officer! You have been entrusted with many important duties and responsibilities. The Office of Labor-Management Standards (OLMS) of the U.S. Department of Labor has prepared this guide to help you properly carry out some of these duties. OLMS enforces certain provisions of the Labor-Management Reporting and Disclosure Act (LMRDA), which guarantees rights to union members and imposes responsibilities on union officers. The LMRDA establishes a bill of rights for union members; reporting requirements for unions, union officers, and union employees; standards for the election of union officers; and safeguards for protecting union funds and assets.

This guide includes general information regarding LMRDA requirements that apply to unions and union officers and offers suggestions on how to comply with these requirements. Although this guide is designed primarily for newly elected presidents and financial officers, it should be helpful to all new officers. Additional information about the LMRDA is available from the OLMS field offices listed on page 4.

Unions Must File Annual Financial Reports

- The LMRDA requires unions to file financial reports annually with OLMS. Unions with annual receipts of $250,000 or more (and those under trusteeship) must file Form LM-2. Unions with annual receipts less than $250,000 may file the shorter Form LM-3, and unions with annual receipts less than $10,000 may file Form LM-4. Annual financial reports must be signed by the president and treasurer or corresponding principal officers and are due within 90 days after the end of your union's fiscal year. Unions can now complete the Form LM-2, LM-3, or LM-4 quickly and easily using a personal computer and the new electronic forms software developed by OLMS, which is available at **www.olms.dol.gov**. Form LM-2 filers must file the revised Form LM-2 electronically for fiscal years beginning July 1, 2004, and later. This software is also available at **www.olms.dol.gov**.
- Unions must make annual financial reports available to their members and permit members to examine supporting records for just cause.
- The reports and documents filed with OLMS are public information and any person may examine them or obtain copies from the OLMS National Office. Anyone with a computer and Internet connection can examine reports or obtain copies through the OLMS Internet Public Disclosure Room at **www.union-reports.dol.gov**.

Suggestions

- When you take office, ensure that your union is up-to-date in filing Form LM-2, LM-3, or LM-4 annual financial reports, and that a copy of the last report is in your union's files.
- If your union is not up-to-date in filing its annual financial report, you are responsible for filing the required report immediately.
- In the last month of your union's fiscal year, OLMS will mail blank reporting forms and instructions or other reporting information to the address on your union's most recently filed form. Notify OLMS if your union changes its address so that your union will receive this material in a timely manner.
- When completing your annual financial report, gather records well before the due date and review the instructions thoroughly to make sure that you complete the report properly. If you have any questions, call OLMS.
- If your union amends its constitution and bylaws, remember to file two dated copies with your union's next annual financial report.
- Check your union's constitution and bylaws to review any other requirements regarding financial reporting. Also contact any former officers or your union's parent body to determine if your union is required to file reports with the IRS.

Unions Must Maintain Certain Records

- The LMRDA requires unions to maintain the records necessary to verify the reports filed with OLMS for at least five years after the reports are filed.
- As a general rule, all types of records used in the normal course of doing business must be maintained such as receipts and disbursements journals, cancelled checks, bank records, dues collection receipts, vendor receipts, credit card slips, meeting minutes, etc.
- All election records must be maintained for one year after the election.

Suggestions

- If your union has an established paper or electronic recordkeeping system, review it thoroughly and, if necessary, check with prior officers on how records are maintained. Become familiar with the types of records your union maintains, including those needed to complete your annual financial report.
- Find out if your national or international union has any specific recordkeeping forms or requirements, including any handbooks or other guidance material.

Unions Must Safeguard Funds and Assets

- The LMRDA imposes a duty on union officers to manage the funds and property of the union solely for the benefit of the union in accordance with its constitution and bylaws.
- A union may not have loans to any officer or employee that in total exceed $2,000 at any time.
- A union officer or employee who embezzles union funds or other assets commits a federal crime punishable by a fine and/or imprisonment.
- Individuals who have been convicted of certain crimes listed in the LMRDA may not hold union office or employment for up to 13 years after their conviction or the end of their imprisonment, if any.

Suggestions

- Use a system of checks and balances to insure that one person is not solely responsible for all financial transactions. For example, require that two officers sign all checks and do not sign checks before the date, payee, and amount are entered.
- Review current practices for collecting dues and other receipts to insure that all receipts are recorded in union books and records, member dues are deposited in the bank on a timely basis, and deposits are properly recorded.
- Confirm that all expenditures are authorized in accordance with your union's constitution and bylaws and are properly recorded in membership/executive board minutes and union disbursement books and records.
- Remove any former officers' names from union bank accounts.
- Conduct an inventory of union assets to determine if they match prior inventory and union records of purchases and sales.
- Have trustees or an audit committee conduct periodic audits and report to the membership. The OLMS publication, *Conducting Audits in Small Unions: A Guide for Trustees*, is available from the nearest OLMS field office.
- If you discover a possible misuse of union funds, contact your national or international union or OLMS.

Union Officers and Employees Must Be Bonded

The LMRDA requires officers and employees of unions with property and annual receipts of more than $5,000 to be bonded if they handle union funds or property. Handling funds is not limited to physical contact with money. For example, a person who has the authority to sign checks or redeem certificates of deposit is considered to be handling funds.

- The minimum bonding amount for each covered officer or employee is 10 percent of the funds handled by the official and his or her predecessor, if any, during the preceding fiscal year. For a new local union, the bond must be at least $1,000.
- Bonding coverage required by the LMRDA is limited to protection against financial loss arising from fraudulent or dishonest acts, including larceny, theft, and embezzlement.
- The required bond must be obtained from a company on the U.S. Treasury Department list of approved bonding companies. The bond may not have a deductible since that is a form of prohibited self-insurance.

Suggestions

- If you are an officer of a newly formed union, contact your national or international union to see if it obtains bonding coverage for its locals. If not, obtain adequate bonding coverage.
- If you are an officer of an established union, determine if the amount of your union's bond is adequate. If not, increase coverage immediately.
- Confirm that your union's bond covers losses due to fraud or dishonesty by each bonded person

Unions Must Conduct Fair Elections of Officers

- Local unions must elect their officers by secret ballot at least every three years.
- Officer elections must be conducted in accordance with the provisions of your union's constitution and bylaws as long as they comply with the LMRDA.
- Every member in good standing has the right to nominate candidates, to be a candidate subject to reasonable qualifications uniformly imposed, and to support and vote for the candidates of the member's choice.
- Unions must mail a notice of election to every member at the member's last known home address at least 15 days prior to the election.
- Union and employer assets, including funds, equipment, and property, may not be used to promote the candidacy of any candidate. However, union funds may be used for reasonable expenses necessary to run an election.

Suggestions

- Review your union's constitution and bylaws well ahead of the scheduled election and determine your responsibilities and the time frames for conducting all aspects of nominations and the election.
- Update your union's membership mailing list regularly. For guidance on doing this, see the OLMS publication *Updating Your Union's Membership Mailing List.*
- Inform officers and employees of your union of the LMRDA prohibition against using union funds for campaign purposes, including campaigning on union time.
- Request a copy of *Conducting Local Union Officer Elections: A Guide for Election Officials* from the nearest OLMS field office for use by those who will be conducting the upcoming election.

Unions Must Allow Members to Exercise Their LMRDA Rights

- Union members have safeguards against improper discipline, equal rights to participate in union activities, freedom of speech and assembly with other members, and safeguards against improper dues increases.
- Union members and non-member employees have the right to receive or inspect copies of collective bargaining agreements.
- It is unlawful to use force or violence against union members who are exercising their rights under the LMRDA.

Additional Information

Additional information is available on the OLMS Web site at **www.olms.dol.gov** by sending a message to **olms-public@dol.gov**, by calling the DOL Help Line at **1-866-487-2365**, or by contacting an OLMS district office.

OLMS Field Offices

Staff is available to answer questions about the LMRDA at OLMS offices in the following cities:

Atlanta, GA	Dallas, TX	Indianapolis, IN	Nashville, TN	St. Louis, MO
Birmingham, AL	Denver, CO	Kansas City, MO	New Haven, CT	San Francisco, CA
Boston, MA	Detroit, MI	Las Vegas, NV	New Orleans, LA	Seattle, WA
Buffalo, NY	Grand Rapids, MI	Los Angeles, CA	New York, NY	Tampa, FL
Chicago, IL	Guaynabo, PR	Miami, FL	Newark, NJ	Washington, DC
Cincinnati, OH	Honolulu, HI	Milwaukee, WI	Philadelphia, PA	
Cleveland, OH	Houston, TX	Minneapolis, MN	Pittsburgh, PA	

For the address and telephone number of our field offices, please consult local telephone directory listings under United States Government, Labor Department, Office of Labor-Management Standards, or view our online organizational listing at **http://www.dol.gov/esa/contacts/olms/lmskeyp.htm**.

U.S. Department of Labor
Employment Standards Administration
Office of Labor-Management Standards
2005

EXHIBIT NO. 4

UNION FINANCIAL AND ADMINISTRATIVE PRACTICES AND PROCEDURES

THURSDAY, MARCH 27, 1958

UNITED STATES SENATE,
SUBCOMMITTEE ON LABOR OF THE
COMMITTEE ON LABOR AND PUBLIC WELFARE,
Washington, D. C.

The subcommittee met at 10 a. m., pursuant to notice, in the old Supreme Court chamber of the Capitol, Senator John F. Kennedy (chairman of the subcommittee) presiding.

Present: Senators Kennedy (presiding), McNamara, Yarborough, and Ives.

Committee staff members present: Stewart E. McClure, chief clerk; Roy E. James, assistant chief clerk; John S. Forsythe, general counsel; and Merton Bernstein, Michael Bernstein, and Ray Hurley, professional staff members.

Senator KENNEDY. The subcommittee will come to order.

The first witness this morning will be Mr. George Meany, president of the American Federation of Labor and the Congress of Industrial Organizations.

Senator Smith has requested me to extend his best wishes to you, Mr. Meany, and his regrets that he was unable to attend due to critical hearings on the mutual security bill which he had to attend.

STATEMENT OF GEORGE MEANY, PRESIDENT OF THE AMERICAN FEDERATION OF LABOR AND THE CONGRESS OF INDUSTRIAL ORGANIZATIONS; ACCOMPANIED BY ANDREW J. BIEMILLER, LEGISLATIVE REPRESENTATIVE OF THE AFL-CIO; J. ALBERT WOLL, GENERAL COUNSEL, AFL-CIO; AND THOMAS E. HARRIS, ASSOCIATE GENERAL COUNSEL, AFL-CIO

Mr. MEANY. Mr. Chairman and members of the committee, I am appearing before this subcommittee pursuant to a telegram from Senator Kennedy, inviting me to testify on proposals relating to union financial and administrative practices and procedures.

I also note that, in announcing these hearings, Senator Kennedy stated that legislation dealing with "regulation and control of pension and welfare funds" and "elimination of the corrupting influence of middlemen in collective bargaining arrangements" would be considered.

In this statement we will deal with the administration's bill, S. 3097, introduced by Senator Smith of New Jersey, with S. 3454, introduced by Senator Kennedy, and with certain related matters on which we have some suggestions we wish to make.

If it develops that the subcommittee is considering other bills also, we request permission to file statements on these bills.

Senator KENNEDY. That will be permitted, Mr. Meany.

AFL–CIO RESOLUTION OF DECEMBER 1957

Mr. MEANY. In the most recent convention of the AFL–CIO, which met in December 1957, a resolution was adopted on the subject of additional labor legislation. That resolution reads in part:

NEW LABOR LAWS

During the past 2 years and most recently and decisively at this convention, the AFL–CIO has demonstrated its irrevocable determination to eradicate any and all corrupt influences from its ranks.

This is a matter which must be handled by the labor movement itself, and we will handle it. It is likewise the responsibility of the labor movement to insure that union elections and internal procedures are fair and democratic, and that responsibility, too, we will discharge.

Government intervention or supervision in either of these fields is unnecessary and unwarranted and undue reliance on government can only sap vitality and impair the sense of responsibility.

We are further determined that the Senate committee's disclosures of the grossly improper activities of officials of a few unions shall not be made the pretext for the enactment of broadside antiunion measures irrelevant to the disclosed abuses.

The AFL–CIO will * * * be prepared to support such other legislative measures as may be necessary to strengthen the ability of the American trade-union movement to fulfill its responsibility and to achieve its proper and legitimate objectives.

You will note that in this resolution the convention made reference to the steps the AFL–CIO has taken to eradicate any corrupt influences from its ranks.

As documenting those steps I would like to supply to the subcommittee at this time copies of (1) the Supplemental Report of the AFL–CIO Executive Council on Ethical Practices Cases,[1] and (2) the AFL–CIO Codes of Ethical Practices,[2] and (3) my letter to the presidents of affiliated national and international unions on the observance of ethical practices codes.[3]

In this statement we shall first discuss the various broad issues raised by the Smith and Kennedy bills, or which we ourselves wish to raise. Next, we will comment on details of those bills not already covered.

1. WELFARE AND PENSION PLANS

Last June I testified before the Subcommittee on Welfare and Pension Plan Legislation of the Senate Committee on Labor and Public Welfare. Thereafter the subcommittee reported the Douglas bill, S. 2888, which is supported both by the administration and the AFL–CIO.

We are hopeful that the full committee will report out this measure soon and favorably and that Congress will enact it this session, despite the opposition of some large insurance companies and employers.

Some of the latter have declared themselves unwilling to reveal what they are now doing with welfare funds of which they have sole administration, and this despite the fact that those funds derive either from

[1] Retained in the files of the subcommittee.
[2] See p. 91.
[3] See p. 107.

employer contributions in lieu of wages, or, in some instances, from sums directly deducted from wages.

I understand that this subcommittee does not intend to duplicate the work done by the other subcommittee last year, and is therefore not going into the subject of welfare and pension plan legislation as such. We would, however, like to advert briefly to the Douglas bill, because of its pertinence to some of the issues which this subcommittee is considering.

The Douglas bill provides, essentially, for full disclosure of the financial operations of health, welfare, and pension benefit plans, including any commissions paid. This would be achieved by requiring the filing of annual reports with the Secretary of Labor and also making the data available upon request to participants and beneficiaries of the plan.

2. DISCLOSURE OF UNION AND CERTAIN EMPLOYER FINANCES

At the present time any union—which is defined to include local unions, international unions, and a federation such as the AFL–CIO—which uses the facilities of the National Labor Relations Board is required by section 9 (f) and (g) of the Taft-Hartley Act to file annual reports with the Secretary of Labor showing—

> *(a)* Its receipts of any kind and the sources of such receipts, *(b)* its total assets and liabilities as of the end of its last fiscal year, *(c)* the disbursements made by it during such fiscal year, including the purposes for which made; * * *

We understand that some 40,000 of these financial reports are filed with the Labor Department each year. It is estimated that an additional 25,000 unions—mostly small local unions but including some international unions—who do not use the facilities of the National Labor Relations Board, *do not file these reports.*

The tax returns filed with the Internal Revenue Service are, however, like other tax returns normally not made public; and the Secretary of Labor has likewise taken the position that he may not make public the financial reports filed with his department under the Taft-Hartley Act.

DISCLOSURE OF UNION FINANCIAL REPORTS

The Secretary takes the position that the legislative history of the Taft-Hartley Act indicates that Congress did not intend that the reports be made public. This has been the subject of controversy between the Secretary and some Members of Congress.

We believe that there is no good reason why the annual financial reports filed with the Department of Labor by unions should not be made public. We supported a proposal to that effect last year, and we continue to support it.

Further, the desirability of having unions file public financial reports—and we think in general that it is desirable—is not in any way related to whether a union uses the National Labor Relations Board.

We suggest, therefore, that the financial filing requirements be made applicable to unions generally, and that the present tie-in with the Taft-Hartley Act be eliminated. At the same time, however, we have at least three reservations with respect to this matter of union financial reports.

REPORTING FORMS

In the first place, we urge that the reporting forms be designed to avoid needless and burdensome detail. During the last year both the Labor Department reporting form and that required to be filed with the Internal Revenue Service have been considerably elaborated—perhaps as a consequence of the Select Committee hearings.

Then new forms were devised and issued, evidently without any consultation whatever with the people who would have to fill them out.

We have had numerous complaints from union secretary-treasurers charged with filling out these forms, and particularly from secretary-treasurers of local unions who often receive no pay for their work, that these forms are hard to understand and burdensome to fill out.

Indeed some local unions complain that it is becoming increasingly difficult to induce anyone to serve as secretary-treasurer because no one is willing to take on the work of filling out these complex Government forms.

The element of risk acts as a deterrent too, for anyone found to have made a willful omission or misstatement in the forms is subject to criminal prosecution.

We think that neither the Labor Department nor the Internal Revenue Service has shown any appreciation of the need for simplifying their forms and minimizing the burden on those filling them out. Further, we see no reason why the two forms, which cover essentially the same ground, should not be combined, so that the union secretary-treasurers would have to file only 1 form a year and not 2.

EXEMPTION OF SMALL LOCAL UNIONS

In the second place, we urge that small local unions—those having a membership, say, of less than 200—be exempted from the financial reporting requirements, but that the Secretary of Labor be given authority to cancel the exemption of any such local union if he has reason to suspect financial abuses in it.

Financial reporting requirements which may be quite feasible for international unions or large local unions may impose unreasonable burdens upon small local unions having unpaid officials who work full time at their trades.

Senator Kennedy's bill, S. 3454, proposes to exempt unions having fewer than 150 members. We think that this figure is probably too low, but wholly agree with his proposal that unions below a certain size be exempted.

DISCLOSURE OF EMPLOYER EXPENDITURES ON LABOR RELATIONS

In the third place, if the unions are to be required to make full public disclosure with respect to all aspects of their finances, certainly employers should at the least be required to make similar public disclosures of their expenditures in the field of labor relations.

If an employer chooses to hire a professional union buster to break a union or to prevent his employees from joining one, he should at the least be required to make public disclosure of what he pays out in his effort to destroy the union.

If the UAW is to be compelled to reveal how much it spent supporting the strikers in the Kohler strike, the Kohler Co. should be likewise compelled to reveal how much it spent trying to break the strike.

As far as we are aware, neither the administration proposals nor any of the other various bills before this committee provide for financial reporting by employers. If employers are not to be required to report, we opposed any requirement that unions report.

We propose also that the Department of Labor be given authority to examine records of unions and employers to check the accuracy of the financial reports they file.

A willful misrepresentation in such a report would, under section 1001 of the present Criminal Code, title 18, be criminally punishable. Perhaps a fine for willful failure to file a report should be provided also.

Section 102 of the Kennedy bill, S. 3454, would require every officer and every employee of a labor union to file annually a personal financial report with the Government. These reports would be open to the public.

At the time he introduced this bill, Senator Kennedy said:

> These provisions are neither unprecedented nor an effort to single the labor unions out for discriminatory legislation. (Congressional Record, March 11, 1958, p. 3572).

The fact is that these proposed reports are unprecedented, and that they would result in singling out unions, or at least union officers and employees, for discriminatory legislation.

Such reports are not required of other individual officials or employees, either in Government or the business world. Moreover, such reports on individual officers as are required from business organizations deal only very narrowly with limited major financial transactions.

Specifically, the proposed legislation requires each officer and each employee, presumably including even stenographic or clerical employees, of each union to file a report each year.

On this report he would have to list, for himself and his spouse, any union loans and any stock or other interest or transaction involving a business which does business with another firm employing members of the union, or whose employees the union seeks to represent.

Criminal penalties are provided for violations of this reporting requirement.

INTENT OF KENNEDY BILL

Senator KENNEDY. Mr. Meany, I might just say here, the language in this bill is intended only to get at conflict of interest situations and it is not intended to provide that any union official would list all of his assets. The wording, it seems to me, may need attention.

Mr. MEANY. With the criminal penalties attached, Senator at least every employee would have to take this form and at least spend some time studying to find out whether he or she has to fill it out.

At least that much would have to be done if they wanted to safeguard themselves from getting into trouble with the law.

Senator KENNEDY. Let me make it clear, that the wording of this bill is not in any sense final but is presented for consideration. This language very clearly says that the only time that a union official would have to file a report would be in a case, for example, where he

had a loan from the union of over $500, or when he had business transactions with a company whose employees he represented in negotiations with the employer.

The intent of this, and as I say it may have to be reworded, is not to require a personal financial report from every union member. I would be opposed to that.

What it is intended to do is to try to hit these cases of conflicts of interest, or where there are excessive loans as in the Klenert and Velente cases, of over $500.

That is the only intention there.

THE SHEFFERMAN OR "MIDDLEMAN" SITUATION

Mr. MEANY. From my personal point of view, it is not so much what the report contains, it is this legal requirement that singles out union employees and union officers as a class apart from the rest of the citizens.

For instance, does Mr. Shefferman have to fill this out? Does your bill call for Mr. Shefferman to fill it out?

Senator KENNEDY. I can assure you——

Mr. MEANY. Or Mr. Quigley, the mortgage man here who helped some union officials to steal the union's money? He wouldn't have to fill it out?

Senator KENNEDY. I can assure you that we are going to have legislation, and it is now being drafted, which I hope will deal very fully with the problem which was discussed yesterday with Mr. Mitchell, the problem of the middleman and the Sheffermans and so on. This is not any complete legislative program, and it is quite obvious that is one of the areas in which we are interested.

CONFLICT OF INTEREST

Now what I am trying to find out is whether you feel this is necessary. The intent of this is not to require reports from all union officials, but only in those cases where they have borrowed more than $500 from the union or in a case of a conflict of interest, where they are doing business with a company.

Mr. MEANY. With a penalty for failure to file reports, which means that every union official has to go over all of his finances to make sure that he doesn't have to file a report because he will incur a criminal penalty, I resent this as an American citizen, this singling out unnecessarily of union officials and putting us in a class apart.

NON-COMMUNIST AFFADAVIT

I have to sign a non-Communist affidavit every year, and Mr. Shefferman doesn't have to sign a non-Communist affidavit. Mr. Ben Fairless doesn't have to sign a non-Communist affidavit, and why should I have to sign one?

I have to sign one because Congress said so. Now you are telling me I have to sign something else every year to make sure that I don't get into trouble with the Department of Justice on my own personal affairs.

That is the thing that I resent about this. I don't think that your investigation calls for this sort of thing.

Senator KENNEDY. In the first place, I am opposed to the non-Communist affidavit and voted against it in the committee, and I hope we can get agreement on its repeal.

ACTION IN CONFLICT-OF-INTEREST CASES

The only thing I am talking about now, other than what we are going to attempt to do about Mr. Shefferman—and I think you should reserve judgment until the subcommittee has finished its program to see what action will be taken in that area—I am wondering whether you feel it is desirable to do anything about these conflict-of-interest cases with which you are familiar, and which the AFL–CIO has condemned.

I know in the ethical-practices code you have made very clear that the AFL–CIO is opposed to conflict of interest. However, the writ of the AFL–CIO does not run to unions which are beyond the AFL–CIO jurisdiction.

Now, the question is, Do you think it is wise to take any action in these cases, or do you think it is possible for the union members to police it themselves? That is just a question I would like to have you answer.

Mr. MEANY. I think there is another question. We certainly will police it to whatever extent we have the power, and certainly advise our own members on means and methods to police it. But what about law-enforcement authorities?

When a union official borrows money, like some of these people did without the knowledge of the union or the members of the union, I think that is larceny and there are laws against larceny and embezzlement.

If somebody borrows something from my house and doesn't tell me about it, I think that he stole it, and that he didn't borrow it.

QUESTION OF FEDERAL INTERVENTION

Senator KENNEDY. There is no Federal jurisdiction over the matter and there is a question of whether the Federal Government should intervene in this type of case, or leave it to the local authorities.

I am just attempting to get your position on it, whether it is worth attempting to do or not.

Mr. MEANY. It seems rather ridiculous that we write a law which potentially covers perhaps 1 million people.

Senator KENNEDY. It is not that. I want to make it clear, as the bill was introduced, it is directed to only those cases where a union officer has more than a $500 loan, or where he is doing business with a company at the same time he bargains for his employees—the conflict-of-interest situations.

Mr. MEANY. It is much broader than that, Senator. It says—

> indirect or direct loans, * * * any stock, bonds, securities, or other interest, legal or equitable, which he or his spouse directly or indirectly holds in a business whose employees his organization represents or seeks to represent.

How does a stenographer find out whether the union she works for seeks to represent the employees of a firm in which she has some investment?

25738—58——5

REACH OF LEGISLATION

Senator KENNEDY. I am talking about other than a corporation in which securities are publicly traded. The wording of this may be subject to change, but I am attempting to find out whether you think it is an area where this subcommittee should take action, if the language was reworded. That is the question.

Mr. MEANY. This bill is far broader than this one question of loans.

Senator KENNEDY. It is loans and conflicts of interest.

Mr. MEANY. I know, conflicts of interest, and it goes into questions of buying or selling or leasing to or dealing with an employer whom the union seeks to represent, and it covers the wife.

Senator KENNEDY. We have had these cases of where transactions were conducted in the wife's name. Section (d) says it omits the corporations whose securities are publicly traded and this wouldn't suggest that any union official should make a report on holdings he may have in a corporation the stock of which is publicly traded, and that is only a case where he has a substantial interest in the company. We have seen some cases where at the same time he owns part of the company and he is representing its employees.

Now, the question is not whether this language is worded as well as it might be—the question is whether we should attempt to get into areas like this.

OWNERSHIP OF BONDS

Mr. MEANY. I submit that it does include bonds purchased on the stock exchange. You don't have to report the income from those bonds, but if you have them, you have to report them. That is in (b) and that means that a person who had those bonds would be liable to a criminal penalty if he failed to file, even if there was not a conflict of interest.

Senator KENNEDY. Let us take (d):

> Any interest which he or his spouse has in or any income which he or his spouse derived from any business, other than a corporation whose securities are publicly traded, a substantial part of which consists of buying from, selling or leasing to or dealing with an employer whose employees his organization represents or seeks to represent for the purpose of collective bargaining.

The point of the matter that I would like to get from you is this:

DESIRABILITY OF LEGISLATIVE ACTION

I understand about your objection to some of the language in this, and it may be poorly drawn, but I would like to ask whether you feel that in a question of conflict of interest where either there are substantial loans from a union by an officer which the membership may not know about, or this question of holding interest in a company when at the same time he represents the employees in bargaining, should we take any legislative action in that area or should we leave it to the local laws in the case of larceny, as you talked about, and leave it to the policing by the members?

Mr. MEANY. I think further along here we deal with that, and certainly I have stated time and again that the tougher you can make it legally on someone who steals the union's money, the better I like it.

I certainly cannot see this all-embracing approach, where you bring in thousands of people, perhaps, in order to make a lawbreaker out of a couple of dozen who would do this sort of thing.

EXHIBIT NO. 5

United States Code
TITLE 29 - LABOR
CHAPTER 11 - LABOR-MANAGEMENT REPORTING AND DISCLOSURE PROCEDURE
SUBCHAPTER II - BILL OF RIGHTS OF MEMBERS OF LABOR ORGANIZATIONS

Section 411. Bill of rights; constitution and bylaws of labor organizations

(a)(1) Equal rights

Every member of a labor organization shall have equal rights and privileges within such organization to nominate candidates, to vote in elections or referendums of the labor organization, to attend membership meetings, and to participate in the deliberations and voting upon the business of such meetings, subject to reasonable rules and regulations in such organization's constitution and bylaws.

(2) Freedom of speech and assembly

Every member of any labor organization shall have the right to meet and assemble freely with other members; and to express any views, arguments, or opinions; and to express at meetings of the labor organization his views, upon candidates in an election of the labor organization or upon any business properly before the meeting, subject to the organization's established and reasonable rules pertaining to the conduct of meetings: Provided, That nothing herein shall be construed to impair the right of a labor organization to adopt and enforce reasonable rules as to the responsibility of every member toward the organization as an institution and to his refraining from conduct that would interfere with its performance of its legal or contractual obligations.

(3) Dues, initiation fees, and assessments

Except in the case of a federation of national or international labor organizations, the rates of dues and initiation fees payable by members of any labor organization in effect on September 14, 1959 shall not be increased, and no general or special assessment shall be levied upon such members, except -

(A) in the case of a local labor organization, (i) by majority vote by secret ballot of the members in good standing voting at a general or special membership meeting, after reasonable notice of the intention to vote upon such question, or (ii) by majority vote of the members in good standing voting in a membership

referendum conducted by secret ballot; or

(B) in the case of a labor organization, other than a local labor organization or a federation of national or international labor organizations, (i) by majority vote of the delegates voting at a regular convention, or at a special convention of such labor organization held upon not less than thirty days' written notice to the principal office of each local or constituent labor organization entitled to such notice, or (ii) by majority vote of the members in good standing of such labor organization voting in a membership referendum conducted by secret ballot, or (iii) by majority vote of the members of the executive board or similar governing body of such labor organization, pursuant to express authority contained in the constitution and bylaws of such labor organization: Provided, That such action on the part of the executive board or similar governing body shall be effective only until the next regular convention of such labor organization.

(4) Protection of the right to sue

No labor organization shall limit the right of any member thereof to institute an action in any court, or in a proceeding before any administrative agency, irrespective of whether or not the labor organization or its officers are named as defendants or respondents in such action or proceeding, or the right of any member of a labor organization to appear as a witness in any judicial, administrative, or legislative proceeding, or to petition any legislature or to communicate with any legislator: Provided, That any such member may be required to exhaust reasonable hearing procedures (but not to exceed a four-month lapse of time) within such organization, before instituting legal or administrative proceedings against such organizations or any officer thereof: And provided further, That no interested employer or employer association shall directly or indirectly finance, encourage, or participate in, except as a party, any such action, proceeding, appearance, or petition.

(5) Safeguards against improper disciplinary action

No member of any labor organization may be fined, suspended, expelled, or otherwise disciplined except for nonpayment of dues by such organization or by any officer thereof unless such member has been (A) served with written specific charges; (B) given a reasonable time to prepare his defense; (C) afforded a full and fair hearing.

(b) Invalidity of constitution and bylaws

Any provision of the constitution and bylaws of any labor organization which is inconsistent with the provisions of this section shall be of no force or effect.

EXHIBIT NO. 6

United States Code
TITLE 29 - LABOR
CHAPTER 11 - LABOR-MANAGEMENT REPORTING AND DISCLOSURE PROCEDURE
SUBCHAPTER III - REPORTING BY LABOR ORGANIZATIONS, OFFICERS AND EMPLOYEES OF LABOR ORGANIZATIONS, AND EMPLOYERS

Section 431. Report of labor organizations

(a) Adoption and filing of constitution and bylaws; contents of report

Every labor organization shall adopt a constitution and bylaws and shall file a copy thereof with the Secretary, together with a report, signed by its president and secretary or corresponding principal officers, containing the following information -

(1) the name of the labor organization, its mailing address, and any other address at which it maintains its principal office or at which it keeps the records referred to in this subchapter;

(2) the name and title of each of its officers;

(3) the initiation fee or fees required from a new or transferred member and fees for work permits required by the reporting labor organization;

(4) the regular dues or fees or other periodic payments required to remain a member of the reporting labor organization; and

(5) detailed statements, or references to specific provisions of documents filed under this subsection which contain such statements, showing the provision made and procedures followed with respect to each of the following: (A) qualifications for or restrictions on membership, (B) levying of assessments, (C) participation in insurance or other benefit plans, (D) authorization for disbursement of funds of the labor organization, (E) audit of financial transactions of the labor organization, (F) the calling of regular and special meetings, (G) the selection of officers and stewards and of any representatives to other bodies composed of labor organizations' representatives, with a specific statement of the manner in which each officer was elected, appointed, or otherwise selected, (H) discipline or removal of officers or agents for breaches of their trust, (I) imposition of fines, suspensions, and expulsions of members, including the grounds for such action and any provision

made for notice, hearing, judgment on the evidence, and appeal procedures, (J) authorization for bargaining demands, (K) ratification of contract terms, (L) authorization for strikes, and (M) issuance of work permits. Any change in the information required by this subsection shall be reported to the Secretary at the time the reporting labor organization files with the Secretary the annual financial report required by subsection (b) of this section.

(b) Annual financial report; filing; contents

Every labor organization shall file annually with the Secretary a financial report signed by its president and treasurer or corresponding principal officers containing the following information in such detail as may be necessary accurately to disclose its financial condition and operations for its preceding fiscal year -

(1) assets and liabilities at the beginning and end of the fiscal year;

(2) receipts of any kind and the sources thereof;

(3) salary, allowances, and other direct or indirect disbursements (including reimbursed expenses) to each officer and also to each employee who, during such fiscal year, received more than $10,000 in the aggregate from such labor organization and any other labor organization affiliated with it or with which it is affiliated, or which is affiliated with the same national or international labor organization;

(4) direct and indirect loans made to any officer, employee, or member, which aggregated more than $250 during the fiscal year, together with a statement of the purpose, security, if any, and arrangements for repayment;

(5) direct and indirect loans to any business enterprise, together with a statement of the purpose, security, if any, and arrangements for repayment; and

(6) other disbursements made by it including the purposes thereof;

all in such categories as the Secretary may prescribe.

(c) Availability of information to members; examination of books, records, and accounts

Every labor organization required to submit a report under this subchapter shall make available the information required to be contained in such report to all of its members, and every such labor organization and its officers shall be under a duty enforceable at the suit of any member of such organization in any State court of competent jurisdiction or in the district court of the United States for the district in which such labor organization maintains its principal office, to permit such member for just

cause to examine any books, records, and accounts necessary to verify such report. The court in such action may, in its discretion, in addition to any judgment awarded to the plaintiff or plaintiffs, allow a reasonable attorney's fee to be paid by the defendant, and costs of the action.

EXHIBIT NO. 7

United States Code
TITLE 29 - LABOR
CHAPTER 11 - LABOR-MANAGEMENT REPORTING AND DISCLOSURE PROCEDURE
SUBCHAPTER III - REPORTING BY LABOR ORGANIZATIONS, OFFICERS AND EMPLOYEES OF LABOR ORGANIZATIONS, AND EMPLOYERS

Section 432. Report of officers and employees of labor organizations

(a) Filing; contents of report

Every officer of a labor organization and every employee of a labor organization (other than an employee performing exclusively clerical or custodial services) shall file with the Secretary a signed report listing and describing for his preceding fiscal year

-

(1) any stock, bond, security, or other interest, legal or equitable, which he or his spouse or minor child directly or indirectly held in, and any income or any other benefit with monetary value (including reimbursed expenses) which he or his spouse or minor child derived directly or indirectly from, an employer whose employees such labor organization represents or is actively seeking to represent, except payments and other benefits received as a bona fide employee of such employer;

(2) any transaction in which he or his spouse or minor child engaged, directly or indirectly, involving any stock, bond, security, or loan to or from, or other legal or equitable interest in the business of an employer whose employees such labor organization represents or is actively seeking to represent;

(3) any stock, bond, security, or other interest, legal or equitable, which he or his spouse or minor child directly or indirectly held in, and any income or any other benefit with monetary value (including reimbursed expenses) which he or his spouse or minor child directly or indirectly derived from, any business a substantial part of which consists of buying from, selling or leasing to, or otherwise dealing with, the business of an employer whose employees such labor organization represents or is actively seeking to represent;

(4) any stock, bond, security, or other interest, legal or equitable, which he or his spouse or minor child directly or indirectly held in, and any income or any other benefit with

monetary value (including reimbursed expenses) which he or his spouse or minor child directly or indirectly derived from, a business any part of which consists of buying from, or selling or leasing directly or indirectly to, or otherwise dealing with such labor organization;

(5) any direct or indirect business transaction or arrangement between him or his spouse or minor child and any employer whose employees his organization represents or is actively seeking to represent, except work performed and payments and benefits received as a bona fide employee of such employer and except purchases and sales of goods or services in the regular course of business at prices generally available to any employee of such employer; and

(6) any payment of money or other thing of value (including reimbursed expenses) which he or his spouse or minor child received directly or indirectly from any employer or any person who acts as a labor relations consultant to an employer, except payments of the kinds referred to in section 186(c) of this title.

(b) Report of certain bona fide investments

The provisions of paragraphs (1), (2), (3), (4), and (5) of subsection (a) of this section shall not be construed to require any such officer or employee to report his bona fide investments in securities traded on a securities exchange registered as a national securities exchange under the Securities Exchange Act of 1934 [15 U.S.C. 78a et seq.], in shares in an investment company registered under the Investment Company Act of 1940 [15 U.S.C. 80a-1 et seq.], or in securities of a public utility holding company registered under the Public Utility Holding Company Act of 1935 [15 U.S.C. 79 et seq.], or to report any income derived therefrom.

(c) Exemption from filing requirement

Nothing contained in this section shall be construed to require any officer or employee of a labor organization to file a report under subsection (a) of this section unless he or his spouse or minor child holds or has held an interest, has received income or any other benefit with monetary value or a loan, or has engaged in a transaction described therein.

EXHIBIT NO. 8

United States Code
TITLE 29 - LABOR
CHAPTER 11 - LABOR-MANAGEMENT REPORTING AND DISCLOSURE PROCEDURE
SUBCHAPTER III - REPORTING BY LABOR ORGANIZATIONS, OFFICERS AND EMPLOYEES OF LABOR ORGANIZATIONS, AND EMPLOYERS

Section 435. Reports and documents as public information

(a) Publication; statistical and research purposes

The contents of the reports and documents filed with the Secretary pursuant to sections 431, 432, 433, and 441 of this title shall be public information, and the Secretary may publish any information and data which he obtains pursuant to the provisions of this subchapter. The Secretary may use the information and data for statistical and research purposes, and compile and publish such studies, analyses, reports, and surveys based thereon as he may deem appropriate.

(b) Inspection and examination of information and data

The Secretary shall by regulation make reasonable provision for the inspection and examination, on the request of any person, of the information and data contained in any report or other document filed with him pursuant to section 431, 432, 433, or 441 of this title.

(c) Copies of reports or documents; availability to State agencies

The Secretary shall by regulation provide for the furnishing by the Department of Labor of copies of reports or other documents filed with the Secretary pursuant to this subchapter, upon payment of a charge based upon the cost of the service. The Secretary shall make available without payment of a charge, or require any person to furnish, to such State agency as is designated by law or by the Governor of the State in which such person has his principal place of business or headquarters, upon request of the Governor of such State, copies of any reports and documents filed by such person with the Secretary pursuant to section 431, 432, 433, or 441 of this title, or of information and data contained therein. No person shall be required by reason of any law of any State to furnish to any officer or agency of such State any information included in a report filed by such person with the Secretary pursuant to the provisions of this subchapter, if a copy of such report, or of the portion thereof containing such information, is furnished to such officer or agency. All moneys received in payment of such charges fixed by the Secretary pursuant to this subsection shall be deposited in the general fund of the Treasury.

EXHIBIT NO. 9

UNION FINANCIAL AND ADMINISTRATIVE PRACTICES AND PROCEDURES

HEARINGS

BEFORE THE

SUBCOMMITTEE ON LABOR

OF THE

COMMITTEE ON LABOR AND PUBLIC WELFARE

UNITED STATES SENATE

EIGHTY-FIFTH CONGRESS

SECOND SESSION

ON

UNION FINANCIAL AND ADMINISTRATIVE PRACTICES AND PROCEDURES

MARCH 26, 27, MAY 5, 6, 7, 8, 9, 12, 13, 14, 16, 19, 20, 21, AND 22, 1958

Printed for the use of the Committee on Labor and Public Welfare

UNITED STATES
GOVERNMENT PRINTING OFFICE
25738 WASHINGTON : 1958

85TH CONGRESS
2d Session

SENATE

REPORT
No. 1417

INTERIM REPORT

OF THE

SELECT COMMITTEE ON IMPROPER ACTIVITIES IN THE LABOR OR MANAGEMENT FIELD

UNITED STATES SENATE

PURSUANT TO

S. Res. 74 and 221

85th Congress

TOGETHER WITH

INDIVIDUAL VIEWS

MARCH 24 (legislative day, MARCH 17), 1958.—Ordered to be printed with illustrations

UNITED STATES
GOVERNMENT PRINTING OFFICE
23431 WASHINGTON : 1958

SELECT COMMITTEE ON IMPROPER ACTIVITIES IN THE LABOR OR MANAGEMENT FIELD

JOHN L. McCLELLAN, Arkansas, *Chairman*

IRVING M. IVES, New York, *Vice Chairman*

JOHN F. KENNEDY, Massachusetts	KARL E. MUNDT, South Dakota
SAM J. ERVIN, JR., North Carolina	BARRY GOLDWATER, Arizona
PAT McNAMARA, Michigan	CARL T. CURTIS, Nebraska

ROBERT F. KENNEDY, *Chief Counsel*

JEROME S. ADLERMAN, *Assistant Chief Counsel*

CARMINE S. BELLINO, *C. P. A.—Consultant*

RUTH YOUNG WATT, *Chief Clerk*

(Senator McCarthy, of Wisconsin, served as a member on this committee until the time of his death on May 2, 1957.)

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FOREWORD

The Senate Select Committee on Improper Activities in the Labor or Management Field presents herewith its report on its first year's work and findings.

Set up under Senate Resolution 74 of the 1st session of the 85th Congress, the committee was authorized and directed:

> to conduct an investigation and study of the extent to which criminal and other improper practices or activities are, or have been, engaged in in the field of labor-management relations or in groups or organizations of employees or employers, to the detriment of the interests of the public, employers or employees, and to determine whether any changes are required in the laws * * * in order to protect such interests against the occurrence of such practices or activities.

Testimony heard by the committee directly involved five unions: the International Brotherhood of Teamsters, Chauffeurs, Warehousemen, and Helpers of America; the Bakery and Confectionery Workers International Union of America; the United Textile Workers of America; the International Union of Operating Engineers; and the Allied Industrial Workers of America (formerly the United Automobile Workers—AFL). A number of other unions, including the building-trades unions and barbers, were also touched on.

Testimony heard by the committee also concerned management consultants Nathan W. Shefferman, Vincent J. Squillante, and Marshall Miller; Anheuser-Busch, Inc.; Sears, Roebuck & Co.; the Whirlpool Corp.; the Continental Baking Co.; the Fruehauf Trailer Co.; the Mennen Co.; Associated Transport, Inc.; Montgomery Ward & Co.; the S. A. Healy Construction Co.; and a number of other employers, including several in New York who sought and obtained "sweetheart" contracts so that they could keep depressed the wages and working conditions of thousands of Negro and Puerto Rican workers.

As an overall finding from the testimony produced at our hearings, the committee has uncovered the shocking fact that union funds in excess of $10 million were either stolen, embezzled, or misused by union officials over a period of 15 years, for their own financial gain or the gain of their friends and associates.

As a background to the committee's work, the following statistics and information are of interest: During the 12 months of the committee's work it has held 104 days of public hearings and has heard the testimony of 486 witnesses. The record of these hearings is spread across 17,485 pages of original transcript. A total of some 16,000 persons were interviewed—a ratio of some 35 interviews for every witness who physically appeared before the committee. In addition, each witness who took the stand had been interviewed for an average of 5 hours for every hour of testimony.

As a further example of the work that is necessary to prepare for public hearings, the committee's accounting consultant, Carmine S. Bellino, spent some 7 weeks at work, examining hundreds of thousands of canceled checks, thousands of pages of ledger sheets and bank statements, and tracing down thousands of financial transactions, in order to prepare himself for the half hour of testimony which led to the proof that Dave Beck, general president of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen, and Helpers of America, had taken, rather than borrowed, $370,000 of the funds of that union.

Three of the committee's investigators spent 1 week looking at some 600,000 canceled checks in a case which has yet to come to hearing.

A total of 2,740 subpenas were issued by the committee for individuals, bank records, union records, and other information for the hearings.

The hearings of the committee resulted from the work of 34 assistant counsels and investigators who are members of the committee staff as well as (at any one time) from 35 to 45 accountants and investigators from the General Accounting Office. Among the staff investigators and counsels listed above were six from the Senate Permanent Subcommittee on Investigations of the Senate Committee on Government Operations.

The committee wishes to express its gratitude to the General Services Administration and to the United States General Accounting Office for their cooperation during the past year. Comptroller General Joseph Campbell has been particularly helpful to this committee in assigning the staff members necessary for the conducting of our investigations.

During the year, the committee staff traveled some 650,000 miles and conducted interviews in 44 of the 48 States. Offices were opened and maintained by the committee during the year in New York, Chicago, Cleveland, Indianapolis, Miami, Seattle, Philadelphia, Nashville, Portland, Detroit, and St. Louis.

Some 100,000 letters have been received and analyzed in Washington, 75 percent of which came from labor union members, and a great many of which have been extremely helpful to the work of the committee.

In addition much useful help came to the committee from newspapermen and their newspapers in various parts of the country.

Members of the staff who have participated in the investigations and work of the committee during the past year are Chief Counsel Robert F. Kennedy; Assistant Chief Counsel Jerome S. Adlerman; Accounting Consultant Carmine S. Bellino; Assistant Counsels and Investigators John A. Aporta, Jack S. Balaban, Alphonse F. Calabrese, John Cye Cheasty, Robert E. Dunne, LaVern J. Duffy, John P. Findlay, Robert Greene, Morton E. Henig, Vernon J. Johnson, Edward M. Jones, Paul E. Kamerick, Arthur G. Kaplan, James P. Kelly, George M. Kopecky, Irwin Langenbacher, John J. McGovern, James J. P. McShane, Duncan M. MacIntyre, George H. Martin, Walter R. May, Ralph W. Mills, James F. Mundie, Leo C. Nulty, P. Kenneth O'Donnell, Levin L. Poole, Francis X. Plant, Harold Ranstad, Pierre E. G. Salinger, Walter J. Sheridan, Paul J. Tierney, Martin S. Uhlmann, and Sherman S. Willse; Chief Clerk Ruth Young Watt; Chief File Clerk Alice S. Dearborn; Research Consultant Diana Hirsh; and Staff Editor Elizabeth K. Sullivan.

85TH CONGRESS } SENATE { REPORT
2d Session } { No. 1417

INTERIM REPORT

MARCH 24 (legislative day MARCH 17), 1958.—Ordered to be printed with illustrations

Mr. MCCLELLAN, from the Select Committee on Improper Activities in the Labor or Management Field, submitted the following

REPORT

INTRODUCTION

In attempting to assess the multitude of facts presented to it over the past 12 months, the committee has been keenly aware of the inherent dangers of generalization. Much that is shameful and unsavory has been uncovered about the behavior of certain elements in both labor and management. This sort of information has necessarily been spotlighted, but it is in no way intended to reflect on the overwhelming majority of the labor unions and businessmen of this Nation, of whose integrity the committee is firmly convinced.

By the same token, no honest man in these vital sectors of American life should want to tolerate the existence of evil in his midst. To blunt, if not eradicate, the effectiveness of this evil should be his urgent aim, for however small a proportion of society the miscreants may form, their influence far exceeds their number.

Elsewhere in this report are the committee's specific findings on each of the hearings it has held during its first year in operation. Out of these specific findings, certain overall conclusions have been drawn. In weighing them, the reader should keep uppermost in his mind these essential points.

The conclusions as to certain improper activities in the field of labor are based on a direct examination of the activities of 5 unions (of which the teamsters are by far the largest), and a peripheral examination of the activities of 2 other labor groups. These 7 represent a total membership of 2 million, but a small percentage of the 190 unions in the United States, with a total membership of 17 million.

The conclusions as to certain improper practices in the field of management are based on examinations of the activities of some 50 companies, similarly a small percentage of American business enter-

prises, whose vast number is indicated by the fact that there are fully 125,000 union contracts in operation.

Thus, obviously, the conclusions reached by the committee are not a wholesale indictment. The important thing in the committee's view, however, is the magnitude of improper practices turned up by the committee in the unions and managements it did study. The preponderance of the evidence should serve as a danger signal to other unions and managements. The testimony eloquently pinpoints the areas of possible trouble, the areas in which caution must be exercised and remedial action taken. The need for vigilance to insure that specific findings in specific unions and managements do not become general conditions throughout this vital economic field have, in the committee's opinion, been clearly demonstrated.

Some of these conditions are obviously going to have to be met by Federal legislation. It is to the interest, however, of both labor and management to take the initiative and clean up situations within their own ranks. Failure to do this will undoubtedly, in the committee's view, result in Federal legislation, in manners not yet contemplated.

The overall conclusions of the committee are as follows:

(1) There has been a significant lack of democratic procedures in the unions studied.

(*a*) Constitutions have been perverted or ignored.

(*b*) One-man dictatorships have thrived.

(*c*) Through fear, intimidation, and violence, the rank-and-file member has been shorn of a voice in his own union affairs, notably in financial matters.

(*d*) Use of the secret ballot has been denied in many cases.

(2) The international unions surveyed by this committee have flagrantly abused their power to place local unions under trusteeship or supervisorship.

(*a*) Some trusteeships have been baselessly imposed.

(*b*) Some have lasted for as long as 30 years.

(*c*) Rank-and-file efforts to throw off such shackles have been ignored, rejected, and sometimes met with violence and intimidation.

(*d*) Locals under trusteeship have been plundered by the very officials entrusted with the management of their affairs.

(*e*) Locals under trusteeship have been used as pawns in political battles within international unions, often in order to boost the ambitions of particular candidates for high office.

(3) Certain managements have extensively engaged in collusion with unions.

(*a*) They have paid high union officials to obtain favored treatment by way of "sweetheart" contracts.

(*b*) They have paid off to obtain inferior contracts which impose substandard working conditions on thousands of workers.

(*c*) They have connived with "approved" unions at under-the-table agreements to permit organizing of their workers to the exclusion of other unions.

(*d*) Certain companies have granted business concessions and loans to union leaders with whom they want to curry favor.

(*e*) Trade associations have conspired with unions to achieve industry monopolies.

(*f*) So-called "whip companies" have been set up to keep rival companies in line, and have been blinked at by unions even when they have themselves broken union rules.

(4) There has been widespread misuse of union funds in the unions studied:

(*a*) Financial safeguards have been woefully lacking. Audits have been little more than a formal ritual of adding up figures, while failing to probe their veracity or the vital detail behind them.

(*b*) Financial reports to rank-and-file members have often been false, sketchy, and even in these forms largely unavailable for perusal by the membership. There have been no regular means provided whereby the rank and file could have access to these reports, and members with the temerity to suggest detailed accountings for their own money have been shouted down and sometimes beaten.

(*c*) Union officials have engaged in the habit of dealing in cash rather than by check. They have failed to submit vouchers for many expenditures, and when vouchers have been turned in they have frequently been false or only vaguely explanatory.

(*d*) Union officers charged with responsibility for disbursements have often signed checks in blank for their superiors, with no knowledge of or request for information as to the purpose for which the funds were drawn.

(*e*) With these incredibly loose practices, the misuse of union funds, including outright thefts and "borrowings" for personal profit, has totaled upwards of $10 million in union-dues money—an average of $5 out of the pocket of every member of the unions covered in this report.

(*f*) Even in the case of publicized gifts to union officials, the recipients have not declared them for income-tax purposes, while the donors (frequently employers) have written them off as deductible business expenses.

(*g*) Destruction of financial records and cancelled checks has been rife, often coincidentally with the approach of committee investigators.

(*h*) Union officials have received flat expense allowances often in excess of demonstrated needs. Even in the absence of evidence that these moneys were used for legitimate union purposes, they were not recorded as income in the filing of tax returns.

(*i*) Loans of union funds have gone to favored officers when no such opportunities have been available to rank-and-file members. Union loans have also been made indiscriminately to corporations, to personal friends of union officials, and to individuals of low repute unable to obtain credit from banks and lending institutions.

(*j*) Tax-exempt union funds have been used to bring profit either to the union or to its officials in sharp violation of the laws governing tax-exempt organizations. As pointed out to the Senate Permanent Subcommittee on Investigations, the Internal Revenue Service at least when the committee's investigation began, did not check on union funds to determine violations of the tax-exemption statutes.

(5) Violence in labor-management disputes, widely regarded as a relic of the organizing era of the thirties, still exists to an extent where it may be justifiably labeled a crime against the community.

(*a*) These acts of violence have often been committed by top officers of local unions, or by goons and thugs hired for the purpose.

(*b*) Higher union authorities have looked the other way when violent acts have been perpetrated, refusing to discipline even those found guilty by law of such acts.

(6) Certain managements and their agents have engaged in a number of illegal and improper activities in violation of the National Labor Relations Act, as amended in 1947 (the Taft-Hartley law).

(*a*) They have indulged in a practice, widely considered outmoded, of using labor spies.

(*b*) They have set up "spontaneous" employee committees, "vote no" committees, and "morale" committees to ferret out employee attitudes toward unions.

(*c*) They have engaged in reprisals against employees discovered to have union sympathies.

(*d*) They have forced employees to join unions, without ascertaining sentiment on the subject, by arranging for "top-down" contracts with certain unions.

(7) The weapon of organizational picketing has been abused by some of the unions studied.

(*a*) They have used this device to extort funds from management.

(*b*) They have used it without the consent of the employees of the picketed plant and before some or any of them have indicated a desire to join the union in question.

(*c*) They have ignored orderly NLRB processes available to them for lawful and peaceful organizing methods.

(8) Gangsters and hoodlums have successfully infiltrated some labor unions, sometimes at high levels.

(*a*) They have assumed positions of trust in some labor unions.

(*b*) They have exercised sinister influence over other union officials.

(*c*) Higher union authority has shown no desire to rid the labor movement of those with lengthy criminal records.

(9) An extensive "no man's land" in labor-management relations has been uncovered by committee testimony.

(*a*) Some employers have had no access to either the National Labor Relations Board or any comparable State agency. The fact that the National Labor Relations Board does not take jurisdiction in certain cases does not automatically turn over the case to a State agency.

(*b*) Exploitation of workers and the circumvention of legitimate labor organizations has been made possible because employers had no recourse to any governmental agency.

(10) Law-enforcement officers have been lax in investigating and prosecuting acts of violence resulting from labor-management disputes.

(*a*) Some law-enforcement officers have shied away from active investigation of labor-management violence because of fear of offending either side in the dispute.

(*b*) In certain cases this has allowed rampant violence to exist without any retaliation by law-enforcement agencies.

(11) Members of the legal profession have played a dubious role in their relationships with officials of some unions.

(*a*) Although retained as counsel to the entire union, they have protected the interests of certain officials in conflict with the interests of the membership which has paid their fees.

(*b*) They have indulged in unethical practices debasing to the standards of their profession.

The committee notes with deep satisfaction that a number of the unions under its scrutiny during the past year have been subjected to severe disciplinary measures by the American Federation of Labor-Congress of Industrial Organizations (AFL–CIO). The teamsters and bakers have been expelled from its ranks; the textile workers were temporarily suspended until concrete evidence was given of a sincere movement for reform.

It is the committee's firm belief that equally effective measures to clean house must be taken by management and by bar associations against representatives from these segments of American life whose activities have been, to say the least, questionable.

PORTLAND, OREG.

The committee's first hearing centered around a deliberate plot to control vice operations in the city of Portland, Oreg., which included participation by certain top officials of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America.

It involves the use of the vast economic and political power of the teamsters union to control public officials and to use this control of public officials in a planned conspiracy to organize the illegal underworld activity in the major city in the State of Oregon. Involved in this conspiracy was the control of bookmaking, other gambling, prostitution, punchboard and pinball operations. The plan called for an alliance between these top teamster officials and James B. Elkins, long-time Portland gambler.

The conspiracy extended to the splitting of profits on underworld activities and the combined efforts of the teamsters and the Portland underworld to control public officials, principally the district attorney of the city of Portland, William Langley.

The first chink in an otherwise well-executed plan came with the disenchantment of James B. Elkins with his fellow-conspirators. This disenchantment was followed by fear, and finally by a careful documentation of the conspiracy by use of tape recordings so that Elkins could protect himself from retaliation.

The first public knowledge of the conspiracy came when Elkins turned over these tape recordings to two reporters of the Portland Oregonian, Wallace Turner and William Lambert, who have since been awarded the Pulitzer prize, the highest accolade of the newspaper profession, for their part in exposing the conspiracy.

The disenchanted Portland gambler, James B. Elkins, frankly admitted his past activities in the operations of vice in the city of Portland. He admitted such crimes as manufacture of illicit whisky during prohibition, a 20- to 30-year sentence for assault with intent

Portland

a. m., May 16, 1955, and was assigned room 606. A registration card at the same hotel showed that Clyde Crosby arrived on the same day, at the exact same time, and was assigned room 608.

(14) Telephone records for a private phone in the suite of Tom Maloney and Joe McLaughlin, Portland, Oreg., show that the bills were to be sent to Tom Maloney, care of Teamsters Building Association, 1020 Northeast Third Avenue, Portland, Oreg. The billings were as follows:

1955:		1955—Continued	
February 26	$67.80	July 26	$69.04
March 26	93.01	August 17	120.35
April 26	93.01	September 17	77.55
May 26	152.25	October 17	53.52
June 26	244.64		

(15) Records of Teamsters Joint Council No. 37 showed the following payments for telephone calls:

1955:		1955—Continued	
March	$67.80	August	$69.04
April	95.58	September	51.31
May	36.03	October	53.52
June	152.02	December	11.05
July	92.10		

(16) A hotel bill at the Olympic Hotel in San Francisco, from November 6 to 11, 1954, for William Langley and family in the amount of $75.95 was paid by check by the Western Conference of Teamsters, signed by F. W. Brewster and John J. Sweeney.

(17) A bill at the Olympic Hotel in Seattle from November 26 to 30, 1954, in the amount of $39.27 was paid by check drawn on the Western Conference of Teamsters, signed by F. W. Brewster and John J. Sweeney.

(18) The Western Conference of Teamsters paid for an airplane ticket in the name of Tom Maloney in the amount of $31.35 as part of an overall bill paid by check by the Western Conference on January 16, 1956.

(19) A check in the amount of $500 payable to William Langley was drawn on the account of the Western Conference of Teamsters in October of 1954, and cashed by Langley.

FINDINGS—PORTLAND, OREG.

The committee's first hearings, after being organized in February 1957, dealt with the efforts of certain individuals to seize control of underworld operations in the city of Portland, Oreg.

Beneath the surface of every major city in the United States, there operates some clandestine vice. In some cases, these vice operations are on a hit-and-run basis, always harassed by efficient law-enforcement officials and never allowed to gain a foothold in the community. In other cases, however, corrupt law enforcement allows vice to operate, winking at violations of the law and often collecting payoffs to allow it to continue.

It is this latter type of operation with which the committee dealt in its Portland hearing. This was no haphazard venture. It had been carefully planned and, as the testimony so clearly indicates, was carried out with the power and assistance of certain high officials of the

Western Conference of Teamsters, the Joint Council of Teamsters in Portland, and teamster locals.

A necessary element in all successful underworld operations is a corrupt public official, with whom the gambling operators and others can do business. In this case it was the teamsters union, through their backing of William Langley for district attorney of Multnomah County, who assured the election of this corrupt official. Even while the political campaign was in progress, the evidence shows that plans were underway to open up certain illicit enterprises, so certain was the knowledge that, if Langley was elected, they would be allowed to operate.

With the election of Langley, a meeting was held in Seattle, at which Langley was present, to plan the taking over of gambling operations in Portland by an underworld combine headed by Joseph McLaughlin and Thomas E. Maloney, Seattle gamblers. The plan was extremely simple in its essence. With the connivance of Langley, Maloney, McLaughlin, and Jim Elkins, a Portland gambler, they were first to take control of the pinball and punchboard rackets in the Oregon city. In this the gamblers were assisted by Clyde Crosby, the head of joint council No. 37 in Portland and the international organizer for the State of Oregon for the International Brotherhood of Teamsters.

Pinball and punchboard companies were set up with McLaughlin, Maloney, and Elkins as the silent partners. Crosby provided lists of tavern and store locations then held by other operators. The plan was for the new Maloney- and McLaughlin-controlled companies to move in on these locations and ask the tavern owners or store owners to substitute their machines for those already installed.

A splendid example in point was the Mount Hood Cafe, about which the committee heard testimony. A teamster business agent, Frank Malloy, walked into the cafe and asked its owner, Horace A. Crouch, to identify the owner of the pinball machine. When Malloy was told the machine belonged to an operator not allied with the Maloney-McLaughlin combine, he told Crouch to take the machine out or he would be picketed. A few days later pickets did appear, and Crouch told the committee this had a severe effect on his business. He told the committee that if he had not removed the machine, as requested by union business agent Malloy, he would have gone bankrupt.

An interesting point in this incident is the fact that the local's secretary, Lloyd Hildreth, testified that he had not ordered the pickets placed on the Mount Hood Cafe but that these pickets had been ordered by Clyde Crosby. Hildreth conceded to the committee that it was "kind of an unusual situation."

This and other picketings had the effect of bringing teamster economic power to bear on behalf of this underworld combine. The economic livelihood of a small tavern or store owner depends on his ability to get deliveries of beer, other beverages and food. The teamsters have the power to shut these deliveries off and, as the testimony clearly shows, did so in Portland where the Maloney- and McLaughlin-backed pinball machines were not being installed with the proper speed. Maloney and McLaughlin were given further assistance by the Teamsters through the payments of their expenses by the Western Conference of Teamsters and joint council No. 37 in Portland.

With the pinball and punchboard operations underway, Maloney and McLaughlin turned to other types of vice, and with Langley's

assistance began to plan the opening of houses of prostitution and an abortion ring. Elkins balked at these plans, which led to the breakup of his association with McLaughlin and Maloney. Were it not that the conspirators in this particular case had a falling out, the Committee believes that gambling and law enforcement in Portland would now be completely under the domination of a teamster-backed underworld. In other cities of the United States, where similar tactics have been employed, this type of domination has been achieved successfully.

The committee finds that Frank Brewster, chairman of the Western Conference of Teamsters, and the late John J. Sweeney, secretary-treasurer of the Western Conference of Teamsters, were aware of the Maloney-McLaughlin power grab and aided the pair to the extent of approving expenditures of teamster union dues funds for their expenses.

The committee further finds that Brewster and Sam Bassett, attorney for the Western Conference of Teamsters, acted improperly in importuning and persuading A. J. Ruhl, secretary-treasurer of local 690 in Spokane, to make loans of union dues money to Maloney for the operation of a gambling establishment; to Sam Sellinas, a notorious eastern Washington gambler and underworld figure, for the payment of his income taxes; and to Richard Klinge, a close personal friend of Dave Beck, for the purchase of a bar in Seattle. The committee finds that A. J. Ruhl acted improperly in making these loans, but did so, in part, as a result of the fear of losing his impending teamster pension accumulated during a lifetime of membership in the union.

The bulk of the evidence in this case rests on the testimony of James B. Elkins, a longtime gambling operator with a police record. While the committee in no way excuses Elkins for any activities he may have engaged in in the past, the fact remains that most of Elkins' story stands corroborated before the committee by independent evidence.

The committee found Elkins to be a forthright and candid witness. This cannot be said for a number of witnesses, including Clyde Crosby and Portland's Mayor Terry Schrunk, who equivocated much of their testimony before the committee.

A number of examples can be cited in the record on Crosby's penchant for evasive answers. He said he ordered the pickets on the Mount Hood Cafe but had no idea that they were stopping deliveries. He said he had not even bothered to ascertain whether the deliveries were being stopped. Crosby said he had not arranged or participated in a meeting between Thomas Sheridan, an employee of the Oregon State Liquor Board, and Elkins. Both Elkins and Sheridan swore Crosby was present at such a meeting. Crosby told investigators in Portland he had met Joseph McLaughlin only once or twice in his life. At the same time he said he could not recall having paid any bills for Maloney and McLaughlin with teamster funds. During the hearing, Crosby admitted he had paid such bills. He testified that although he had taken the same plane to San Francisco with McLaughlin (the ticket having been paid for out of union funds), had traveled in the same limousine from the airport to the hotel, had registered simultaneously in an adjoining hotel room, he

was not "traveling with" the Seattle gambler. Crosby's testimony on these matters is unworthy of belief.

The taped conversations obtained by James B. Elkins provided equally incontrovertible proof of the participation of District Attorney Langley and teamster officials in this entire plan.

The committee has urged the Justice Department to take action on what it considers to be the serious perjury which was committed before this committee during these hearings. At this time the committee reaffirms its feeling that serious perjury was committed and again urges the Justice Department to take action.

FRANK W. BREWSTER

Frank W. Brewster was the chairman of the Western Conference of Teamsters. In this position he directed the activities and work of some 245 local unions in the western part of the United States, representing better than 300,000 truckdrivers, warehousemen, and other workers.

In March of 1957, the committee held hearings into the financial operations of the Western Conference and Joint Council 28 of the Teamsters union in Seattle, Wash. The pattern revealed by these hearings was one of careless spending of union-dues money for personal and other uses. Included in the abuse of fiduciary trust revealed by the hearings were:

1. Extensive spending of union dues by Frank W. Brewster for his personal use, particularly in the operation of his large stable of thoroughbred racehorses.
2. The purchase of a plush Palm Spring, Calif., apartment—tastefully decorated at union expense—for the enjoyment and comfort of the union's top officers.
3. The use of $4,000 in union funds as a downpayment for the purchase of a home in Palm Springs, Calif., for Frank W. Brewster.
4. The unauthorized use of almost $400,000 in teamster funds in an attempt to save a failing Canadian truckline. This is a a particularly curious transaction in which the union stood to gain nothing and to lose much, and a private Washington truckowner stood to end up as sole owner of the truckline without putting up a nickel of venture capital.
5. A hidden interest by Frank Brewster and Dave Beck in a Seattle service station where the teamsters did the bulk of their business.
6. The filing of false reports on the financial activities of Joint Council 28.
7. The first disclosure that Dave Beck had stolen, rather than borrowed $250,000 in union funds in Seattle.
8. A definite conflict of interest in the relationship between Frank Brewster and George C. Newell, broker for the Western Conference of Teamsters' Welfare Fund.

During a 5-day hearing Brewster was on the stand and denied very few of the allegations listed above. He pleaded with the members of the committee that the fault lay in sloppy bookkeeping and questionable financial practices such as the wholesale signing of blank checks

to be used without real control. He immediatley promised he would have an auditor check the union's books to determine the amount of his indebtedness and said that he would repay this money as promptly as possible. Since the hearings, Brewster has deeded his home to Joint Council 28 as collateral against any money he might be found owing.

Quite a few of Mr. Brewster's problems before the committee stemmed from his desire to improve the breed. The Seattle teamster official admitted he was quite fond of horses and the testimony showed that he owned an extensive stable in partnership with George C. Newell, a broker for the Western States Conference Welfare Fund.

The committee found that Brewster had used union funds for transportation of his horse trainer, Mel Eisen, and his stable's contract jockey, Richard Cavallero. A Seattle teamster business agent, Terry McNulty, was also used for early morning walking of horses and driving the stable's horse van to various racetracks in the West. In one instance, the records showed that McNulty was staying at the El Rancho Hotel at Millbrae, Calif., a mere spitting distance from two of California's major racetracks, Tanforan and Bay Meadows, from September 9 to 12, 1955. His expenses at this motel were submitted on an expense voucher to the Western Conference of Teamsters. Mr. Brewster had an explanation for McNulty's stay at the El Rancho:

> There's a highway close to there that he checks on trucks that run up and down the highway. It's a natural position for an organizer not to stay in the heart of the city. When he organizes he stays out in motels and so forth. At Bay Shore, I don't know whether you know it, there are probably as many trucks going on that Bay Shore as there are any other place.

The records of the same motel showed that hotel bills at the El Rancho were also paid for Eisen and Cavellero. Airplane tickets were also purchased for the same 2 men and on 1 occasion, Bobbie Eisen, the trainer's son, made a trip from San Francisco to Los Angeles to Modesto, Calif., at a cost of $46.09 to the teamsters union. In an affidavit, the secretary of the Western Conference, Rita Prasch, said she had purchased the tickets at the direction of Frank W. Brewster.

Brewster also found the atmosphere at the racetrack conducive to the conducting of his union business. He said it wasn't the fact that he had horses running or that he had a great interest in horses that led him time and time again to various west coast horseracing ovals.

> Mr. BREWSTER. I take time in going around and questioning and I can probably take and find 100 people, when I go into the racetrack at all, will come to me with some problems. I have even been in a position of where I thought that I would consolidate the north and south parts of the State of California to have one local union and one person responsible for that local union.
>
> I have worked with those people and worked with the organizers and worked with the secretaries and worked with the people that belonged to that organization. I used to receive

Frank Brewster

Mr. KENNEDY. Property which was owned by Mr. Dave Beck; is that right?

Mr. BREWSTER. That is right.

Mr. KENNEDY. Did you know the construction work for those homes was going on during this period of time?

Mr. BREWSTER. I believe it was. I think it was about the same time. I don't know the exact dates, but I know the comparative time, I believe, which was about that time.

The CHAIRMAN. Mr. Brewster, do we understand that during the period of time referred to that all that the western conference built was one small building that cost approximately $35,000, according to your best estimate?

Mr. BREWSTER. As far as I remember.

The CHAIRMAN. And during that same period of time, you paid out to this man Lindsay, the western conference paid to the man Lindsay, a contractor, a total of $146,678. Can you explain where that $111,000 went to?

Mr. BREWSTER. I cannot. The only thing that I can say is that was done, and a check that I had signed in blank was made out.

The CHAIRMAN. You had signed the checks in blank?

Mr. BREWSTER. I think that was the way that it must have been done. (pp. 1363–1364).

The committee found that these funds had been diverted to contractor Lindsay to build a swimming pool at Dave Beck's home and to build the homes of Dave Beck's relatives and associates, including Richard Klinge, Norman Gessert, Buddy Graham, and Al Irvine. These homes formed a sort of compound in the outlying, fashionable Sheridan Beach section of Seattle, Wash.

The committee also found that the funds being sent to the public relations division in Los Angeles were being forwarded to Nathan W. Shefferman in Chicago for the purpose of paying Dave Beck's personal bills. Other funds were diverted for this purpose from the Western Conference of Teamsters and Joint Council No. 28 building fund.

Without taking into account any of Beck's peculations, the committee concluded its hearings by handing Brewster a bill for $409,309.98 in questionable expenses by the Western Conference of Teamsters, Joint Council No. 28 and the Joint Council No. 28 building fund. This included such items as the missing unemployment relief and special funds of local 174, the highly irregular stock transactions, expenditures for Frank Brewster's racing stable, and payments of the expenses of Thomas Maloney, Joseph McLaughlin, and former Portland District Attorney William Langley in connection with the teamsters' activities in Oregon which are described in another section of this report. Not included in the $409,000 figure was the $440,000 loan to the Pacific Inter-Mountain Express.

FINDINGS—FRANK W. BREWSTER

Union officials elected to a position of trust and authority have a special responsibility to the members they represent to administer the union's financial affairs judiciously and economically. At all times, such a union leader must remember that the accumulated funds are not his funds but the hard-earned dollars of working men and women

paid as dues for the legitimate purpose of improving working conditions and wages.

In the Western Conference of Teamsters, the committee finds that this was, lamentably, not true.

Frank W. Brewster, head of the Western Conference, did not understand the obligation under which he labored. He and the executive board of the Western Conference of Teamsters did not act in the interests of the union membership, and the activities of the executive board for a long period of time were found not to be covered by any type of record or minutes.

Checks of the Western Conference were signed in blank; books were either shoddily kept or destroyed and the funds dissipated in a revel of spending on matters that bore little resemblance to union business.

In total, the committee found some $800,000 spent in this careless manner, some of which was spent for Brewster's personal benefit, but the bulk of it spent on ventures which promised no guaranty of return to the union or its members.

The committee must conclude that Frank W. Brewster was a careless caretaker of the union member's dues with no real understanding of his fiduciary responsibility.

In addition, Brewster permitted himself to become involved in a clear conflict of interest, a business relationship with the broker for the Western Conference of Teamsters health and welfare funds. No matter how honorable the intentions of the persons involved, this type of relationship is improper on its face, and the committee must agree with the AFL–CIO ethical practices committee that no such relationship should exist.

The abnormality of the relationship is best demonstrated by the fact that Brewster emerged from a racing-stable partnership with George Newell, broker for the Western Conference's health and welfare funds, with a heavy profit, while Newell emerged with an equally large loss. In addition, Newell gave Brewster on 3 occasions $5,000 worth of Affiliated Fund stock which he claimed on his income-tax return as a business expense.

It should be pointed out that Brewster and Dave Beck had the ultimate say as to who should be the broker on the Western Conference's health and welfare account. In this context, therefore, Brewster's receiving favors from Newell was highly improper.

In addition, the committee finds that Newell received excessive commissions ($1,007,132.17 in the years 1954, 1955, 1956, and 1957) from these funds. The committee cannot reconcile this heavy profit with the fact that Newell never had to submit a bid to get the business in the first place. It can only be assumed that Newell did everything possible to keep Frank Brewster and Dave Beck happy so that he could continue to draw these heavy profits, and that the racing-stable venture was one prime example of this relationship.

The findings of the committee in relation to the Western Conference of Teamsters fall into four other major categories:

(1) The committee finds that Frank Brewster enriched himself at the expense of teamster members. Whether it was for the personal expense of his racing stable, for new suits, or merchandise orders at a Seattle specialty shop, the union members invariably wound up paying the tab. This personal appropriation of funds even extended to

the $4,000 downpayment on Brewster's Palm Springs home, which was paid with a check drawn on the local 174 "special fund."

(2) Frank Brewster permitted the use of teamster funds for the personal gain of other teamster officials and friends. Specifically, he allowed the Western Conference of Teamsters to buy certain stock for a number of persons because those persons happened to be short of cash at the time. While the union eventually got this money back, these labor organizations were not set up for this purpose.

In addition, Brewster poured some $440,000 into a dying Canadian truck line. He said this was necessary to protect the interest of 90 union members working for this company. While this ideal is lofty from a trade union standpoint, the amount of money expended leaves a great question about Mr. Brewster's judgment. In addition, the clear fact is that the teamsters put up this large sum of money at great risk that they would never get it back; and if the money is eventually returned, the truck company will end up in the possession of a Seattle trucking operator, R. J. Acheson.

(3) The committee finds that Sam Bassett, attorney for the Western Conference of Teamsters, paid to represent the members of that conference, acted at every turn to the detriment of those members and solely to protect the top officers.

(4) Frank Brewster and Dave Beck had a hidden ownership in the gas station across the street from the Teamsters Building in Seattle. Through this station they derived a profit from the sale of gas, oil, and other automobile necessities to teamster locals.

The ownership of this service station by Brewster and Beck was a direct violation of their fiduciary responsibility.

Other findings involving Brewster and the Western Conference of Teamsters are set forth in the section on the committee's investigation into activities in Portland, Oreg.

Dave Beck

Dave Beck entered 1957 in the final year of his first 5-year term as general president of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen, and Helpers of America.

In 1952, he had supplanted the aging Dan Tobin, who had ruled the union with an iron hand for 45 years—virtually from the birth of the organization at Niagara Falls, N. Y., in 1903.

The position of general president carried certain privileges which the international union had seen fit to shower on its top officer. These included a $50,000 a year salary, an unlimited expense account, and a rent-free $163,000 home in Seattle, Wash. He was the union's representative to the International Transport Workers Union, which held periodic conferences in Europe.

He had announced his candidacy for reelection and confidently predicted his victory before a large national television audience.

Beck's net worth had been placed in the millions, the product of fortunate real-estate investments and other business enterprises, in which he participated with his wife, Dorothy, and his son, Dave Beck, Jr. He could look out the window of his Seattle office and see the towering Grosvenor House, a lavish Seattle apartment hotel in which he owns a substantial interest.

Dave Beck

It is a demonstratiton of the arduous labors that this committee and its staff is going to have to put forth and the expense that this Government today is being put to and caused to expend because of the lack of cooperation and, in some respects, lack of good citizenship and proper moral standards which are causing us to have to do this labor and expend this money.

It had been hoped that when Mr. Beck appeared before this committee he would be a cooperative witness, that he would come in a spirit of trying to assist and aid the committee in performing its functions and rendering the service to the Government that it is his duty to render.

Unfortunately and unhappily, that has not been the case. It did not materialize in that way. This witness, in my opinion, has shown utter contempt for this committee, for the Congress of the United States, and for his Government.

Whether that contempt is actionable or not, I am not at the moment prepared to say, but this committee will give consideration to the question of whether it is actionable.

If it is found to be, I have no doubt what the judgment and action of the committee will be. Mr. Beck has shown flagrant disregard and disrespect for honest and reputable unionism and for the best interests and welfare of the laboring people of his country.

Above all, he has shown arrogant contempt for the million and a half members, the honest laboring people in the teamsters union. Since he is so anxious to get into court, it is my sincere hope that, in due time, the witness will be judged accordingly.

Now, I regret that proper propriety and common decency dictate that I should not spread here on the record any further substance of my opinion.

FINDINGS—DAVE BECK

When Dave Beck was elected general president of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen, and Helpers of America in 1952, he promised faithfully to carry out the trust of his office and said he would brook no dishonesty or racketeering within the union's ranks.

After hearing the testimony concerning Mr. Beck's activities, the committee finds that he viciously abused the trust of the union's 1½ million members, that he shamefully enriched himself at their expense, and that in the final instance he capitulated to the forces within the union who promoted the interest of racketeers and hoodlums.

The fall of Dave Beck from a position of eminence in the labor-union movement is not without sadness. When named to head this rich and powerful union, he was given an opportunity to do much good for a great segment of American working men and women. But when temptation faced Dave Beck, he could not turn his back. His thievery in the final analysis became so petty that the committee must wonder at the penuriousness of the man. What would cause a man in such circumstances to succumb to the temptation of using union funds

to pay for 6 pairs of knee drawers for $27.54, or a bow tie for $3.50? In Beck's case, the committee must conclude that he was motivated by an uncontrollable greed.

Mr. Beck violated his trust as president of the Western Conference of Teamsters and as president of the international union in 4 ways: By taking for himself union funds which he held in trust; by taking kickbacks and commissions on teamster financial deals; by selling properties to the Teamsters Union for outrageous profits; and by forcing employers who had contracts with the teamsters to enter into personal financial arrangements.

The committee makes the following specific findings:

1. Dave Beck took, not borrowed, more than $370,000 in union funds from the Western Conference of Teamsters Joint Council No. 28 Building Fund, and the public relations division of joint council No. 2. When confronted by an investigation by the Internal Revenue Service, Mr. Beck began restitution which even at the time of the committee hearings, some 3 years later, had not been completed.

The money taken by Beck was used for the construction of his home, swimming pool, and the homes of four of his associates who live near him in the fashionable Sheridan Beach section of Seattle. Other funds were diverted to Nathan Shefferman, Chicago management consultant, in the amount of $85,000 to pay Beck's personal bills and those of his son and nephew.

2. Mr. Beck placed mortgages of the International Brotherhood of Teamsters through a company in which he had a financial interest and thereby received kickbacks for the placement of this teamster business.

3. Mr. Beck and his friend, Donol Hedlund, a Seattle mortgage banker, enriched themselves by $11,585.04 in the handling of the trust funds of Beck's late nearest and dearest friend, Ray Leheney.

4. Mr. Beck aggressively and dishonestly promoted the sale of toy trucks amongst the teamster locals throughout the country for the financial gain of his son, Dave Beck, Jr., and friends.

5. Mr. Beck secured a $12,500 commission for his friend, Nathan Shefferman, for the purchase of land in Washington, D. C., under the most flagrantly false pretenses. He then received an $8,000 kickback from Shefferman.

6. Mr. Beck received another $24,000 kickback as part of the profit that Shefferman had earned from selling furniture to the teamsters and arranging for the installation of a bookkeeping system in the teamsters headquarters.

7. Mr. Beck placed his relatives on the payroll of the teamsters union, and they received salaries and expenses for which they did virtually no work.

8. Mr. Beck used union accountants and attorneys to operate his own personal businesses over an extended period of time.

Dave Beck brought the great power of his office to bear on a number of large employers throughout the country to secure favors for himself and his family.

9. Mr. Beck used the power of his office to secure favors from Anheuser-Busch, Inc., of St. Louis, Mo., on behalf of a liquor distributing firm in which his son, Dave Beck, Jr., had an interest.

10. Mr. Beck, after lending $1,500,000 of teamsters union funds to the Fruehauf Trailer Co. to use in a proxy fight, improperly impor-

tuned Fruehauf for special favors, including the loan of $200,000 and a $5,000 investment in his son's toy truck company.

11. Mr. Beck acted improperly by requesting a loan of $300,000 from the Occidental Life Insurance Co. at a lower-than-usual interest rate while the Western Conference of Teamsters was funneling millions of dollars of health and welfare fund insurance premiums through that company.

While there is no doubt that many of the employers on whom Beck made demands complied out of a feeling of fear and necessity, the committee, nevertheless, makes the following findings on what it considers improper acts by these employers.

12. The committee finds that Mr. Beck's machinations would not have been possible without the help, cooperation, and assistance of certain companies and individuals. In these instances, almost an equal burden of guilt falls on the national business concerns with whom Beck dealt, from whom he obtained special favors, and for whom he did special favors. Although Mr. Beck initiated the actions, the response of the companies or individuals is subject to sharp criticism.

13. The committee finds that Donol Hedlund, a Seattle mortgage banker, enriched himself by many thousands of dollars in a highly improper business relationship with Dave Beck. That he was unaware of the fact that he was acting unethically and improperly is incredible to the committee.

14. The committee finds that Anheuser-Busch, Inc., acted improperly in granting special favors, not available to their other distributors, to the Beck-controlled company. The committee is convinced that the brewing company granted these favors, not only because they were afraid of Beck, but in the hope that they could secure special favors from Beck which, on occasion, they sought and secured.

15. The committee finds that the Fruehauf Trailer Co. acted improperly in arranging a sizable loan to Dave Beck, the president of the union which played such a major role in their industry. It finds that Roy Fruehauf continued attempting to establish himself in Beck's good graces by granting the teamster leader special favors, including the free shipment of his son's boat to the west coast, the use of a chauffeur in Europe, and the use of the company's private plane. This is a highly questionable relationship for a man in the trucking industry and one which the committee strongly condemns.

16. The committee finds that Associated Transport, Inc., acted improperly in lending Dave Beck $200,000 from its subsidiary, the Brown Equipment Co., while they had extensive contracts with teamster locals over which Dave Beck had ultimate control.

17. The committee finds that the Occidental Life Insurance Company of California acted improperly in granting loans of almost $300,000 to Dave Beck, at lower than usual interest rates, at the same time the Western Conference of Teamsters was funneling millions of dollars of health and welfare fund insurance premiums through the Occidental Life Insurance Co.

18. The committee finds that George Newell, the Seattle broker for the teamster health and welfare funds, acted improperly in accepting union checks in payment for the personal insurance of Dave Beck; his physician, Dr. Alexander Grinstein; Frank Brewster; his daughter, Betty Brewster; and Teamster Auditor Fred Verschueren, Jr.

19. The committee finds that Sam Bassett, the union's attorney who was paid with union members' dues, acted highly improperly and violated his trust when he took no action after it came to his attention in 1954 that Mr. Beck had taken large sums of money from the Western Conference of Teamsters. He did not draw this to the attention of the membership which he was supposed to represent, or of the law enforcement agencies in the State of Washington. In fact, Mr. Bassett took every step possible to oppose efforts on the part of the membership to learn of the financial irregularities of Mr. Beck and Mr. Brewster.

20. The committee finds that Simon Wampold, by remaining on the payroll of the teamsters while representing Mr. Beck in his private businesses, violated his trust and responsibilities.

21. The committee finds that Alfons Landa, attorney for Fruehauf and a member of the District of Columbia bar, acted in a highly questionable manner by offering to make a kickback to Dave Beck on the possible profits from the $1,500,000 loan that the teamsters had made to the Fruehauf Co., of which he was a director.

In another section of this report the committee goes into detail on findings concerning Nathan W. Shefferman. Suffice it to say here that the committee finds that Mr. Beck's relationship with Mr. Shefferman, who represented some 400 different employers, was highly improper on both their parts and was to the detriment of the members of Mr. Beck's own union and other unions in the labor movement. Mr. Beck's relationship with Mr. Shefferman should have been at arm's length.

The committee feels that if all of the points that it has elicited against Mr. Beck were written off the record, his handling of the trust fund of his best friend, Ray Leheney, would damn him in the minds of all decent people. Even in the handling of the affairs of the sacred trust from a lifelong friend Beck saw the chance for a profit and took it.

Dave Beck brought shame and disrepute on the American labor movement. He will have to look to his fellow labor union members in America for the ultimate verdict on his actions. This committee can only conclude that the labor movement is well rid of Dave Beck, as it would be well rid of others like him. The public and the 17 million union members in America deserve better.

SCRANTON, PA.

Many Americans believe that the use of force and violence in labor-management relations is a relic of a bygone age. This notion is a mistaken one. During the course of its work the committee has received reports from a number of areas throughout the country attesting to the fact that threats, intimidation, physical assaults, and destruction of property have by no means vanished from the labor-management scene.

Information on the use of such tactics has come from communities divergent in size and locality, including New York, N. Y.; Nashville, Tenn.; Philadelphia, Pa.; Joplin, Mo.; Charlotte, N. C.; Los Angeles, Calif.; Chicago, Ill.; Portsmouth, Ohio; and many other cities.

Scranton

FINDINGS—SCRANTON, PA.

The resort to labor violence, never justified in any civilized community, seems to the committee particularly ironic in the case of Scranton, a city which has exhibited a marked degree of enlightenment by developing on its own, without Federal or State guidance, a notable industrial self-help plan which has created thousands of new jobs for its citizenry.

This adult approach to the solution of economic problems has not, however, been shared by leading officials of two of Scranton's key labor groups: the teamsters and the building trades council. Testimony before the committee has compelled it to the view that these men, in solving the related problems within their own sphere, prefer bully-boy tactics to the use of reason and peaceable persuasion.

Beyond this overall conclusion, these specific points stand out as a result of the committee's inquiry into certain aspects of labor in Scranton:

1. The committee finds that acts of harassment, intimidation and destruction of property against individual homeowners and businessmen of Scranton were sanctioned, directed, and often participated in by officers of the teamsters and the building trades council as a regular practice.

2. The committee finds that these acts generally followed what the said officers deemed to be obstruction of union policy, as in the case of a homeowner hiring nonunion contractors, or a businessman seeming to dawdle over contractual negotiations.

3. The committee finds that the destructive acts against property were of a peculiarly wanton nature, committed with the zest of juvenile delinquents, however overage.

4. The committee finds that there was a betrayal of the responsibilities and trust of his high union office by John Durkin, secretary-treasurer of teamsters local 229 and a vice president of the Pennsylvania Federation of Labor. Durkin, who was among four Scranton labor leaders convicted of conspiracy to dynamite a home then under construction by a nonunion contractor, was also linked to a "war of nerves" against a Scranton bakery which culminated in its stinkbombing. Testimony on his connection with this case was given under oath by two vastly divergent witnesses: the owner of the bakery and one of the actual perpetrators of the stinkbombing, who declared under oath that Durkin had supplied the vital fluid for this despicable act. The committee was unconvinced by Durkin's insistence that he "always" instructed his people against violence, especially in the light of his inability to explain why violence occurred in the wake of these instructions. It also regarded with skepticism, in view of Durkin's command of the teamster membership, his assertion that he could not as an individual "properly police the whole rank and file."

5. The committee finds that there was a similar betrayal of the responsibilities and trust of his high office by Joseph Bartell, president of the Building Trades Council of Scranton, composed of 19 different craft unions. Bartell, along with Durkin, was convicted of conspiracy in the above-mentioned dynamiting of a local home under construction; in addition, he was found guilty of conspiracy in a case in which a wall in another home under construction was pushed over.

The owner of this second home had the double misfortune of employing nonunion help and locating the house on a site adjoining Bartell's own property.

6. The committee finds that grave disservice was also done to the reputation of Scranton labor by Philip Brady, vice president of the building trades council and business representative of the local carpenters union; by Anthony Bonacuse, director of the building trades council and business manager of the local electrical workers union; and by Joseph McHugh and Robert Malloy, two of teamster local 229's business agents. Brady, McHugh and Malloy were convicted, along with Joseph Bartell, of conspiracy to damage the home previously mentioned. Brady and Bonacuse were convicted, along with Durkin and Bartell, of conspiracy in the dynamiting case.

7. The committee finds that although Scranton law-enforcement authorities eventually prosecuted these criminal acts, they were generally slow to seize their responsibilities. The stinkbombing of the bakery resulted in no prosecutions whatever. The contractor of the home where the wall was pushed over testified that he was never contacted by city police at all, and by State police only after the incident of the dynamiting of the second home, some 6 months later.

8. The committee finds that a distinct conflict of interest existed in City Solicitor James McNulty's simultaneous function as legal representative for the building trades. McNulty blandly informed the above-mentioned contractor, who came to city hall to express fear of impending trouble with those unions, that he would represent them if trouble actually came to pass.

9. The committee finds that dubious ethics were reflected in statements by two international union officers at a testimonial fund-raising dinner for Durkin, Bartell, Brady, and Bonacuse after their conviction for conspiracy in the dynamiting case. Although the verdict had been rendered by a jury of their peers in Lackawanna County court, William Kendrick, international vice president of the laborers union, found it fitting to assert that the four men had been "framed." On the same festive occasion Harry Tevis, a teamsters international vice president, flatly declared that the international did not feel that the four were guilty and that it would take no disciplinary action against them.

10. The committee finds that Tevis accurately predicted the attitude of higher echelons of teamster authority toward their Scranton bully-boys. Not one admonitory word or gesture, not one hint of disciplinary action, emanated from international headquarters.

11. The committee finds equally disturbing the fact Scranton labor itself took no steps to clean its own house after these court convictions. Not one of the convicted officials was removed from office, and not one of their lesser union stooges who were found guilty of actual perpetration of the acts of violence was subjected to any union reprimand whatever.

12. The committee finds that the deplorable and arrogant behavior of the Scranton teamster officials in particular stemmed from the failure of local 229's rank and file to assert and exercise its democratic rights. Rigged elections and multiple voting went unchallenged; attendance at union meetings was meager. That fear may have brought on this situation was indicated by witnesses who testified that

the few members who dared to question the leadership were beaten up or threatened. Nevertheless, the committee deems it valid to inquire whether the officials would have been able to inspire the fear if the rank and file had turned out in solid numbers. The question poses a classic dilemma, but only one answer is possible: that democratic institutions vigilant of their rights cannot fall prey to dictatorships, whatever their guise.

Bakery and Confectionery Workers International Union of America

A cardinal principle of our way of life holds that men in positions of responsibility be strictly accountable for their stewardship. If this is true of public office, it is no less true of the field of private endeavor, including the labor unions to which millions of Americans have entrusted their economic destinies.

In 7 days of hearings during June and July, the committee scrutinized abuses of this principle in the upper echelons of one of the oldest organized bodies in the labor movement, the Bakery and Confectionery Workers International Union of America. Founded in 1886, this union, at its last official report in 1956, comprised 160,102 members in 319 locals throughout the country.

A relatively small union, its operations are nevertheless of vital import to us all. On its membership depends the supply of the very staff of life, our daily bread. The union also wields jurisdiction over workers employed in the manufacture, production, and shipping of crackers, biscuits, rolls, pretzels, cake, cookies, pies, pastries, matzos, bagels, macaroni and paste products, ice cream, candies, and sweets.

Four major charges against the activities of certain union officials concerned the committee:

1. Autocratic control by the international president of both the union and its executive board.
2. Misuse of union funds.
3. Dictatorial practices in the trusteeship of a number of locals.
4. Improper relationships with management to the disservice of the rank and file.

At the outset of this report it should be noted that subsequent to the committee's hearings the AFL–CIO expelled the bakers' union for corrupt domination, and granted a charter to a new union set up by 5 international officers, 4 of them vice presidents, and 1 the secretary-treasurer, who had formed a "committee of integrity" within the old union.

Testimony before the committee largely revolved around 2 individuals, James G. Cross, international president of the bakers' union, and, to a lesser extent, George Stuart, 1 of its 18 international vice presidents until his resignation from the union shortly after the committee launched its investigation last spring. In his appearance before the committee, Stuart, who described himself as currently unemployed, invoked the fifth amendment in response to questioning.

A proper understanding of the behavior of the union hierarchs in question must begin with the fact of the absolute power which clothed Cross as chief of the bakers, brushing off only on his favored lieutenants. This power, gradually amassed over the years, included the crucial authority not only to appoint international representatives of

the union but to fix their salaries. Both appointments and salaries had to be approved by the union's 17-man general executive board—of which 13, however, were the selfsame international representatives. By the time of the union's last convention in October 1956, in San Francisco, the exercise of power had become so bald that the destruction of any vestiges of democratic procedure was a mere matter of ritual.

The way was paved by a vital rules change approved by the general executive board just prior to the meeting. Traditionally, a three-man convention committee controls the credentials of delegates, auditing rules, order of business, and parliamentary questions. This committee had always been chosen by the international president subject to the executive board's approval. Now, however, the board itself decided that its approval would be needless. The one-man rule of James G. Cross was thus underscored.

Among changes in the union constitution thereafter endorsed by docile delegates were these:

Formerly, international officers had been elected by secret ballot in a referendum of the rank and file following the convention. As of the 1956 convention, they were to be nominated and elected on the convention floor by the delegates. The referendum was discarded as "an outmoded and outdated procedure" and "a definite waste of the membership funds." A dissident delegate who testified before the committee, Joseph G. Kane, president of local 525 in New York pointed out the irony of this change in the light of an assertion by Cross in 1952, when, in Kane's words, he still had "some democratic blood in his veins." At that time Cross, who had started in the union as a pan greaser and fruit cook, had not yet reached the pinnacle, an achievement he was to realize the next year with President William Schnitzler's elevation to the post of secretary-treasurer of the AFL.

But he was already in the No. 2 post, as international secretary-treasurer, and aware that the lightning played over his head. In the Bakers and Confectioners' Journal he roundly declared:

> Our organization retains the basis of pure democracy, even more so than that of the Nation itself. We vote directly for the candidates, where in the Nation we vote for electors pledged to vote for certain candidates. We maintain more democracy than many labor unions who elect their officers by the votes of the delegates at their conventions (p. 2801).

Another constitutional change at the 1956 convention removed an important checkrein on the delegates themselves. Although still elected by local balloting, they no longer had to submit to preconvention scrutiny by the advance publication of their names in the union journal. Publication of this list had permitted challenges of delegates.

Also abandoned was the use of Robert's Rules of Order to settle parliamentary questions not resolved by the union constitution. Kane quoted Cross as telling his apparently bemused listeners:

> Parliamentary procedure was made for Senators, not bakers and confectioners. Kane's reply from the floor, he testified, was: Don't underestimate the intelligence of the baker (p. 2800).

Bakery

Senator ERVIN. To my mind, it is sort of similar to the Lidford law. "I oft have heard of Lidford law"——

Mr. COOPER. I am unfamiliar with that, sir.

Senator ERVIN. Listen and you can hear about it.

Mr. COOPER. I will be happy to learn.

Senator ERVIN. You may not have heard of it, but you seem to be familiar with it. "I oft have heard of Lidford law, how in the morn they hang and draw, and sit in judgment after" (p. 2879).

FINDINGS—BAKERY AND CONFECTIONERY WORKERS INTERNATIONAL UNION OF AMERICA

As one of the oldest organized labor groups in our national life, the Bakery and Confectionery Workers International Union of America has witnessed many a historic moment in labor's climb up the economic ladder. After its own 72 continuous years in existence, the union should by now have reached new peaks of progress. Such, however, is not the case. Instead, retrogression has been the bakers' lot, a grim fact directly traceable to the ruinous stewardship of International President James G. Cross.

Stewardship is, in fact, a misnomer for the Cross brand of administration, for it implies accountability, of which the bakers have had less and less, to the vanishing point, since Cross took over in 1953. In its place they have had doubletalk and dishonesty; their constitution has been abused and perverted; their hard-earned funds have been plundered; tyrannical and swindling trusteeships have crushed their local freedoms.

As an exemplar of a labor autocrat, Cross, in the opinion of the committee, conjures up few rivals. Such has been his cynical and rapacious grasp on the bakers union that in all the misdeeds uncovered by the committee's hearings he seldom plays other than a starring role; in the instances when he does not, his handpicked henchmen do. The committee is of the emphatic belief that the culpability of James G. Cross is central to the corrosion of the bakers union.

1. The committee finds that Cross sold a group of his members down the river by secretly conniving to extend a substandard contract they abhorred with a man to whom he was then personally indebted for $40,000 to buy a Palm Beach home, to whom he had been personally indebted for $57,600 to buy a Washington home, and from whose brother he had earlier secured a $16,000 mortgage to buy a Chicago home.

2. The committee finds equally reprehensible the action of the man with whom Cross so connived: Martin F. Philipsborn, Sr., majority bondholder and former president of Zion Industries, Inc., the company from which bakers union workers were seeking a better contract. The committee also regards as questionable the implied role in this matter of Col. Martin Philipsborn, Jr., manager of the firm, who effectuated the extension of the substandard contract on management's side. A sworn affidavit by an international organizer for the bakers union, John Klansek, deposed that Philipsborn, Jr., had not been loath to mention his father's creditor status toward Cross during negotiations for an earlier contract.

3. The committee finds that in 1956 Cross falsified an affidavit of compliance to the NLRB by indicating that his compensation and allowances totalled $17,500 annually, when, in fact, he received almost $40,000 in expenses alone for that year. Cross had the effrontery to tell the committee that in his opinion expenses and allowances were "two different things."

4. The committee finds that Cross played fast and loose with union funds by failing to provide bills to back up vouchers for some $30,000 in expenditures during 1956 alone, including $25,000 for entertainment, dinners, birthday parties, gratuities and "personal expenses."

5. The committee finds generally repellent the Cross claim that his excessive expenditures of union funds, even when accounted for, were in the strict line of official duty for the bakers. The committee cannot accept as proper under this definition a $130 item for a hotel room engaged solely for poker games of Cross' executive board during a 10-day meeting in New York; it cannot accept as credible a $2,980 expenditure by Cross for a 6-day stay in Miami when he collected $1,079 for driving from Washington to his home in Palm Beach during this same period.

6. The committee finds that Cross cast ignominy on his union membership by hiring as an "organizer" a woman with a police record for grand theft, for residing in a house of ill fame, for drunken driving, and for offering. Known frequently but not invariably as Kay Lower, this woman testified that the total extent of her efforts for the bakers was to collect some 50 names of potential prospects for an organizing drive in Los Angeles. Miss Lower's association with Cross cost the bakers upward of $10,000: some $6,000 direct from the coffers of the international, about $1,000 funneled through bakers local 37 in Los Angeles, some $2,300 in transcontinental phone calls to and from Cross, and an indeterminate amount in hotel bills on journeys in which she often appeared in Cross' company.

7. The committee finds that Cross sanctioned the use of violence to discourage dissents within the union and alleged obstructionists without, including the beating of the 14-year-old son of a bakery owner during a Los Angeles strike. Cross himself was charged by two witnesses with having taken part in the slugging of union critics at the time of the union convention in San Francisco in October 1956. A grand jury, although it took no action in the case, described it as "rampant with perjury," and the district attorney flatly proclaimed his disbelief of Cross' denial that he was present at the time of the beatings.

8. The committee finds that at this same convention Cross railroaded through changes in the union constitution which destroyed any vestigial pretenses of union democracy. Among the powers which he thus arrogated to himself were the right not only to select but to remove international representatives, who constituted 75 percent of the union's executive board; the sole right to approve banks in which union money was to be deposited; the sole authority to direct the secretary-treasurer to prepare checks. Cross also arranged that his own salary and that of his secretary-treasurer, previously set by the convention, should now be set by the executive board, three-quarters of whose salaries he himself fixed; and in an orgy of mutual admiration immediately after the convention these lackey lieutenants voted him

a salary raise from $17,500 to $30,000, and Cross shortly returned the favor by raising their salaries.

9. The committee finds that other actions and statements by Cross at the convention nakedly exposed an authoritarian philosophy abhorrent to legitimate American unionism. Under his callous direction use of the secret ballot to elect international officers was abandoned, thus further intimidating possible dissenters; the use of parliamentary procedure at the convention was jettisoned after a haughty pronouncement by Cross that it was not made for bakers and confectioners; financial reports, once given to the membership in full every 3 months, were henceforth to be given to them in summary every 6 months.

10. The committee finds that the dupes of James G. Cross in the bakers union emulated their master at every turn. International Vice President George Stuart mulcted Chicago bakers locals of $40,000. One of his most brazen manipulations involved a $13,000 appropriation for a "joint organizational drive" with teamsters joint council 43, which, as intermediary, then purchased 2 Cadillacs at $6,500 apiece for Stuart and Cross. Another larcenous maneuver by Stuart stripped Chicago locals 100 and 300 of the better part of $10,500 for an "organizing drive" which was so nonexistent that he never mentioned it in his reports to the international, nor was it even slightly apparent to the owner of the alleged target company.

11. The committee finds that these thefts by Stuart were made possible under two Chicago local trusteeships of the most arbitrary and capricious stripe. Although local 300 requested its trusteeship, Stuart played an incredible role in the decision to grant one, conducting the preliminary hearing, making the decision, then moving in as trustee—thereby acting as judge, jury, and beneficiary of his own decision. In the case of local 100's trusteeship, Stuart peremptorily imposed it without any hearing whatever; Gilbert Mann, the ousted local president, testified that his first notification of the matter came when he found Stuart at his desk, brandishing a gun owned by Mann. Other witnesses testified that later suggestions that the trusteeship be removed were met by Stuart with the summary dismissal of those officers who had dared to voice the thought.

12. The committee finds that the trusteeship principle itself was thoroughly abused in practice. Designed to safeguard union members' interests, trusteeships as applied by international officers of the bakers not only depredated the funds but despoiled all democratic rights of the rank and file. Voting on matters of local interest ended; local officers, board members, and shop stewards ceased to function, and in their place were installed aides in every way subservient to the trustee. Even when trusteeships were removed, locals lived under the threat of their reimposition. The simple act of filing of new charges against the local by someone in the international office or by only one local member would do the trick, an easy one among people riddled with fear of their superior officers.

13. The committee finds that the collection of some $85,000 in funds for a testimonial dinner for International Vice President Max Kralstein, in charge of the New York bakers, went forward under circumstances most charitably described as dubious. Much of the money was gleaned from New York bakery owners, a number of whom testified that they either had had or feared labor trouble from New York local

3. In these instances the fund raisers were by and large union business agents who serviced the shops whose owners they solicited. Although no overt threats were made, evidence that the owners felt that it would be the better part of valor to contribute to the Kralstein dinner stamps this fund-raising venture, in the committee's view, as an improper relationship with management.

14. The committee finds that the United States Government itself bore a large proportion of the cost of the Kralstein dinner. Kralstein himself paid no income tax on some $60,000 in gifts from the affair, out of which he purchased a $40,000 home; he argued that this harvest was nontaxable. On the other hand many contributors to the dinner wrote off their donations as a deductible business expense. In the opinion of the committee this matter merits close scrutiny by the Internal Revenue Service.

15. The committee finds that Max Kralstein's attitude toward the huge largesse bestowed upon him, much of it under virtual duress, was of debatable integrity. Kralstein's assertion that the principle of giving was what mattered to him, whether the sum be $10 or $100,000, was in the committee's view a specious one, as was his offer to refund contributions to anyone who so desired.

16. The committee finds that Herman Cooper, counsel for the bakers union, acted improperly and unethically by failing in his duty to represent the interests of the union itself, protecting rather the specific interests of Cross and other members of the ruling faction when a challenge to this leadership arose. The committee was deeply shocked by Cooper's admission that he had personally prepared a predated document suspending one of the challengers, Secretary-Treasurer Curtis Sims, even before Sims' charges against the Cross regime had been aired before the union's executive board. The committee finds this a shameful breach of the honorable traditions of the American legal profession.

The committee notes with satisfaction that subsequent to its hearings the AFL–CIO expelled the Cross union on charges of corruption. Thus did a once-proud body of laboring men fall victim to the cynical self-interest and amoral acts of one individual, for there is no doubt that James G. Cross himself singlehandedly wrecked the union which had reposed its trust in his hands. The price is a heavy one for the bakers to pay, but only by such drastic action can the decent rank and file come to a full realization of their betrayal.

United Textile Workers of America

In an era when labor unions number their members in the millions and their assets in the multimillions, the United Textile Workers of America does not rank very high on the list. Its membership totals around 50,000; its annual income, derived solely from individual dues, is something under $1 million.

Although puny by today's robust standards, the state of the UTWA's treasury has not rendered it immune against human temptation. In a week's hearings during July, the committee examined the large-scale misuse of union funds by its two top international officers in a series of unprincipled acts made possible by the laxity of union financial safeguards and the placid acceptance thereof by other UTWA officials. Subsequent to the hearings, both men resigned from the

United Textile

ened away very satisfactorily. There were some that fell within that realm, and I undertook to pay them personally (p. 3507).

By way of important postscript to this report, it should be recorded that little time remained for Klenert to "square away" and "straighten away" any such matters with the UTWA. On September 24, 1957, 2 months after his appearance as the final witness of the hearings, the AFL–CIO executive council directed the UTWA to correct its internal abuses, eliminate corrupt influences, and remove and bar from any position in the union those responsible for these abuses.

Shortly thereafter Valente and Klenert resigned, but on October 25, the AFL–CIO, having assigned a "monitor" to the UTWA and looked at its books, found that the union had not complied with its directives, and had, in fact, arranged for long-term payments to Valente and Klenert totaling $104,000. On December 4 the UTWA was suspended from the AFL–CIO. A week later, however, a committee of the UTWA executive council agreed to "full compliance" with the AFL–CIO's directives, pledging to bar Valente, Klenert, and Joseph Jacobs from any connection with the union; to elect officers by secret ballot at a special convention in March 1958 under AFL–CIO supervision; to permit the continuing audit of its books by an outside accounting firm chosen by the AFL–CIO, and to report periodically on its progress to the AFL–CIO. The parent body thereupon restored the union to good standing.

Findings—United Textile Workers of America

Among the human frailties which have passed in parade before the committee over the past 12 months, one of the more recurrent has been the sheer greed of many of the individuals observed. Beyond all others, this lamentable failing seems to have spurred most of the acts of malfeasance in the field under committee inquiry.

As an unblushing exercise in avarice, the union careers of Anthony Valente and Lloyd Klenert can scarcely be matched. At the time they appeared before the committee, these men were president and secretary-treasurer, respectively, of the United Textile Workers of America. While much larger sums of union money have been misused for personal profit and pleasure by other officials interrogated by the committee, in relative terms the peculations of Valente and Klenert were far more spectacular. The UTWA's wealth is comparatively small; its annual income is less than $1 million. The funds misappropriated by its two top-ranking officers totaled $178,000 or about 18 percent of the union's entire intake in any one year.

Of this $178,000, some $60,000 was spent by Klenert for various forms of gratification for himself, family, and friends. The other major item in the total, some $95,000, was enjoyed by the 2 men in tandem, although, to their considerable chagrin, only on a temporary basis. The expenditure of this lavish portion of the UTWA's resources was designed to fulfill a mutual desire by Valente and Klenert to ensconce themselves and their loved ones in newer and handsomer residential quarters. Acting with the perfect harmony of a Tweedledum and

Tweedledee, they fashioned a labyrinthine plot to conceal this maneuver from the UTWA faithful.

Consideration of the history of the Valente-Klenert regime unerringly leads the committee to the conclusion that major deception was perpetrated upon the loyal and unsuspecting members of the UTWA by officers who proved responsive only to their own lust for personal gain. While Valente and Klenert were the prime offenders, in the committee's opinion others on their executive council were also guilty of gross misconduct and cynical negation of the interests of the union's rank and file.

1. The committee finds that Valente and Klenert fraudulently diverted union funds to the purchase of new homes for themselves. These funds, totaling $95,000 and authorized by the UTWA executive council for the purchase of investment property and/or a new union building, were originally intended by Valente and Klenert to cover full payment on their homes, respectively priced at $42,500 and $52,500. They generously decided, however, to assume their own mortgages, and invested a mere $57,000 of the union's $95,000 in their home-buying venture.

2. The committee finds that Valente and Klenert gulled their fellow UTWA officers, at least initially, by spuriously claiming to have used the $95,000 as a deposit on property for the union.

3. The committee finds that Valente and Klenert compounded their fraud a few days after they bought their homes by having Valente borrow $100,000 from a Washington bank in the union's name but without its knowledge, falsifying the loan application by describing its purpose as "purchase of new quarters but old building." Out of this sum Valente and Klenert drew $57,000 which they vaguely ascribed on the union's books to "organizing expenses."

4. The committee finds that with the sleight of hand at which they were so adept, Valente and Klenert then substituted this $57,000 in union funds for the same sum in union funds which they had previously allotted for the purchase of their homes. This slick exchange had a clever motive. Ultimately Valente and Klenert would have had to account for money authorized by the union for property buying; they could, however, explain away money which had gone to "organizational expenses."

5. The committee finds that this deception was aided and abetted by Martin J. Quigley, president of the Mutual Title Co., a Washington, D. C., firm which examines titles in neighboring Maryland, who arranged the details of settlement on the Valente and Klenert homes. In a clear-cut abuse of his quasi-fiduciary function, Quigley obligingly wrote letters, patently intended for the union auditor's eyes, which supported the fiction that union funds had gone for the purposes authorized by the UTWA and conveniently neglected all mention of the home-buying deal.

6. The committee finds that $17,500 subsequently withdrawn from the union by Valente and Klenert for "organizational expenses" went for large purchases for their new homes, including downpayments for air conditioning and a $2,786.50 piano for Klenert. Neither Valente nor Klenert could furnish any proof that they had spent this $17,500 for organizing purposes, feebly alleging that it had been dispensed in cash and "personally"—a glaring falsehood in view of the attribu-

tion of some of these expenditures to the same dates in sections of the country distant from each other.

7. The committee finds that Valente and Klenert took steps to cover their tracks in their home-buying venture only after the possibility of discovery of their manipulations arose. It is the committee's belief that the two men would have had no scruples about transforming the union's funds into a permanent gift for themselves had they not inadvertently brought the state of the union's finances to the attention of George Meany, now AFL–CIO president, then AFL president, by audaciously seeking AFL financial aid for an organizing drive.

8. The committee finds that Valente and Klenert displayed arrant disrespect for the committee's powers of discernment by attempting to foist upon it an obviously fabricated explanation for their diversion of union money for the purchase of their homes. Both men alleged that they hit upon this scheme simply as a device to "segregate" or "lay aside," in secret, money which the UTWA might have to use at some vague future time to combat possible intraunion trouble from new members recruited from dissidents of the rival CIO Textile Workers Union of America.

9. The committee finds that the UTWA's executive council exhibited a morality on the same low level as Valente's and Klenert's by slavishly accepting their version of their financial manipulations and whitewashing them in a report requested by the AFL.

10. The committee finds that members of the UTWA's executive council themselves unscrupulously dipped into union funds to grant each other and favored hangers-on personal loans for which they were required neither to pay interest nor to put up security, with Klenert, as secretary-treasurer, given the friendly function of making "reasonable arrangements for repayment according to his best judgment." Klenert conceded that rank-and-file members who might also desire a loan were given no access to this fount of beneficence, even thought it was built of union dues which they had paid in.

11. The committee finds that Joseph Jacobs, the counsel for the UTWA, behaved in a manner unbecoming a member of the legal profession. Jacobs derived benefit from his union connection simulstaneously as owner of a firm which leased cars to the UTWA. He was also a member of the UTWA subcommittee which supposedly "investigated" the Valente-Klenert peculations and gave the two men a clean bill of health. Subsequently he was instrumental in having the union pay part of an assessment levied by the Internal Revenue Service on Valente and Klenert for faulty income-tax returns.

12. The committee finds that the UTWA executive council continued its servile course even in the face of the AFL's declaration that its report did not constitute a "proper explanation." The council passed a resolution approving the annual destruction of all union records, except those of a "historical nature," at a time when Valente and Klenert were under income-tax investigation. It also raised the salaries of the two men.

13. The committee finds that Valente and Klenert were similarly undeterred by AFL disapproval, pursuing their depredations of the UTWA treasury. Over and above the expenses provided by their per diem allowances, the 2 men misused some $66,000 in union funds for personal expenditures. Klenert spent the lion's share of this sum,

more than $60,000 in 3 years. He and his family especially profited from a device by which he had a wide variety of personal purchases—ranging from TV sets, a typewriter, and an air conditioner to brassieres, a golfer's lamp, and a milk stool—charged to hotels, which would then bill the union.

14. The committee finds that the financial safeguards set up by the UTWA were so lax as to be ludicrous. That this fact, more than any other, encouraged Valente, Klenert, and their favorites in their marauding ways is, in the committee's view, beyond dispute. Although the UTWA constitution endowed its executive council with general control over union affairs, the fact that 91 percent of the council members had their salaries fixed by the president made their disapproval of any of his financial dealings a strong unlikelihood. The UTWA's three trustees, charged with the periodic examination of checks and vouchers, were no more than puppets of Valente and Klenert, inexperienced in financial procedures, blindly accepting their vague explanations of expenditures, and frequently seeking no explanation whatever. The committee views the trustees' performance as a complete failure of responsibility, although it believes that the cause of this failure was incompetence in financial matters rather than malicious intent. The union's outside auditor, Eric Jansson, admitted feeling that the vouchers turned in by Valente and Klenert were not detailed enough, but declared that he did not consider it his place to suggest that the UTWA constitution be tightened to provide more stringent controls over the outgo of funds. The committee cannot agree with this viewpoint; it is of the opinion that Jansson did not fully meet his professional responsibilities in this regard.

The grip of Valente and Klenert on their fellow officers was apparent even after the AFL–CIO executive council, in the wake of the committee's hearings, directed the union to remove the corrupt influence of the two men or face expulsion. Although Valente and Klenert resigned, their cronies attempted to assuage their departure by providing for long-term payments to them of $104,000. This evidence that corruption in the UTWA died hard brought about its suspension from the AFL–CIO, and its reinstatement only after its acceptance of strict AFL–CIO supervisory controls—an object lesson in depth for a union unwilling or unable to clean its own house.

New York Teamster Phony Locals

In 1939, after several years of intense factional rivalry, a split occurred in the ranks of the growing United Automobile Workers Union–CIO. A segment of this union splintered off and was chartered by the American Federation of Labor under the same name as the union with which its members had previously been affiliated: the United Automobile Workers–AFL.

The UAW–AFL was actually larger in size at the start than the UAW–CIO. While the latter prospered and grew, the membership of the former dwindled away to a point where it had some 80,000 members at the time of this committee's hearings. Today the union has changed its name to the Allied Industrial Workers of America.

In July and August of 1957, the committee held a series of hearings concerning labor-management problems in the New York area, which

had their inception in 1950 with the entry of the UAW–AFL into the New York labor field and the emergence of three-time convicted labor racketeer John Dioguardi as a powerful figure in that union.

While the chartering of a single UAW–AFL local in New York City would not, on the face of it, appear to be an important matter, this particular local started a chain of events which resulted in:

(1) The influx of the worst types of gangsters and hoodlums into the New York labor movement.

(2) The ultimate public revelation that thousands of Puerto Rican and Negro workers were exploited and subjugated through "sweetheart" contracts and deals between unscrupulous labor leaders and greedy employers.

(3) The alliance between James R. Hoffa, current general president of the International Brotherhood of Teamsters, and Dioguardi, the indicted conspirator in the blinding of labor columnist Victor Riesel.

(4) The attempt, through these selfsame UAW–AFL locals by Hoffa, in cooperation with Dio and another New York labor and narcotics racketeer, Anthony (Tony Ducks) Corallo, to rig the election of the officers of Joint Council No. 16 of the International Brotherhood of Teamsters.

Since much of the testimony revolves around the activities of John Dioguardi, a look at his background is helpful in placing in perspective the events which transpired in New York, and which were the subject of these hearings.

John Dioguardi was born in New York in April of 1914, the eldest of three sons of Dominick and Rose Plumeri Dioguardi. His criminal career began while he was still a teen-ager. When he was arrested in 1932 for coercion and conspiracy, he was acquitted on one of these charges and the other charge was dismissed.

John Dioguardi's two brothers also went on to careers of crime. Thomas Dioguardi was arrested on a number of charges, including assault and robbery, while Frank Dioguardi has been arrested for crimes such as rape, concealed weapons, and thefts from interstate shipments.

In 1937, John Dioguardi and his uncle, James Plumeri, also known as Jimmy Doyle, a notorious New York racketeer, were arrested and charged with extortion as a result of their activities and shakedowns in connection with the garment industry.

In the trial that followed, Dioguardi was pictured as an enforcer for the Five Boroughs Truckmen's Service Association run by his uncle, James Plumeri, and another New York City racketeer now deceased, Dominick Ditato. As a result of the trial, Dioguardi was sentenced to 5 years in the Sing Sing Penitentiary.

When he emerged from the penitentiary, Dioguardi entered the dress manufacturing business—first as an employee, and then as a partner and owner of various firms in New York, Jersey City, N. J., and Allentown, Pa. From 1940 until 1950 Dioguardi was active in this business, and except for an arrest in 1944 for possession of an unregistered still he remained on the right side of the law during that period.

In 1950, a former Communist Party member who had been a commissar with the Loyalists forces during the Spanish Civil War, Samuel Zakman, began to inquire around New York as to how he might obtain

NY Teamsters
Locals

HOFFA. And apparently they're going to try to indict everybody in sight.

DIO. Uh-huh.

HOFFA. However, I don't know what in the h—— they gonna indict people on; there don't seem to be nothing here; primarily it's Bufalino they're after.

DIO. Yeah. Bad publicity, too.

HOFFA. And now they have put it into the parking lots——

DIO. Uh-huh.

HOFFA. Ahhh, bowling alleys——

DIO. Uh-huh.

HOFFA. Right.

DIO. Uh-huh.

HOFFA. Laundries and linen.

DIO. Uh-huh. Hello?

HOFFA. I'm not talking from my office so it don't make any difference.

DIO. Yeah. Well—I'm only—all I'm interested in is that I hope everything works out fine and that's all I'm interested and if I can be of any help Jim in any way; I know politically there I can't help you (pp. 5260–5261).

To this Hoffa said:

Mr. HOFFA. Well, apparently it was something I was having done, and I cannot recollect from this telephone call exactly what it was. I can probably check up and maybe I can inquire around as to what it was, but at this particular moment I cannot give you the answer.

The CHAIRMAN. Mr. Hoffa, you have been continuously asking us to refresh your memory.

Mr. HOFFA. That is right, sir.

The CHAIRMAN. Can you tell us how we can do it?

Mr. HOFFA. Well, sir——

The CHAIRMAN. How? After all, are you still taking the position that your memory has failed you?

Mr. HOFFA. I don't say my memory has failed, but I say to the best of my recollection, I cannot recall the substance of this telephone call, nor place the facts together concerning what it pertains to.

The CHAIRMAN. But if these things do not refresh your memory, it would take the power of God to do it.

The instrumentalities of mankind, obviously, are not adequate (pp. 5262–5263).

Senator McClellan then ended the hearing with the statement—

We have proceeded to the point where the witness has no memory, and he cannot be helpful even when his memory is refreshed (p. 5267).

FINDINGS—NEW YORK TEAMSTER PHONY LOCALS

In 1950, the United Automobile Workers of America—AFL (now known as the Allied Industrial Workers of America) established a local in New York. From this local there stemmed a whole string of

units of the same international union which came under the domination of John Dioguardi, a three-time convicted labor racketeer and the suspected instigator of the blinding of Columnist Victor Riesel.

The ramifications of Dioguardi's reentry into the labor movement in 1950 and the consequences which stemmed therefrom provided the committee with an intimate picture of the infiltration of gangsters and racketeers into organized labor. It is the committee's firm belief that gangster infiltration, of which this particular hearing presents an example, represents an ominous danger to our national economy, a danger which is present and real and must be dealt with now.

Dioguardi's acquisition of a UAW–AFL charter in New York City was facilitated by Sam Berger, head of a local of the International Ladies' Garment Workers Union; Paul Dorfman, an associate of Chicago mobsters and head of a local of the Waste Material Handlers Union in that city; Dave Previant, attorney for the UAW–AFL and the Central Conference of Teamsters; and Anthony Doria, international secretary-treasurer of the UAW–AFL. Although the charter was in the name of one Sam Zakman, a former Communist Party functionary, the committee had what it considered clear proof that Berger, Dorfman, Previant, and Doria knew that Dio was the man who was actually going to acquire the charter and run the local.

As Dioguardi's sphere of influence increased in New York, he linked up with Anthony (Tony Ducks) Corallo, a long-time kingpin in the New York narcotics and labor rackets. Between them they brought 40 men into the labor movement in positions of trust and responsibility—men who, among them, had been arrested a remarkable total of 178 times, and convicted on 77 of those occasions, for crimes ranging from theft, violation of the Harrison Narcotics Act, extortion, conspiracy, bookmaking, use of stench bombs, felonious assault, robbery, possession of unregistered still, burglary, violation of the gun laws, being an accessory to murder, forgery, possession of stolen mail, and disorderly conduct.

That this group of men once installed in union jobs should turn immediately to extortion, bribery, and collusion with management could, therefore, cause little surprise. It is a fact that after going to work for Dio and Corallo in the New York labor movement 25 of these men were convicted or indicted for extortion, perjury, bribery, and forgery. These included Anthony Topazio, Joseph Cohen, George Cohen, Henry Gasster, Nathan Carmel, Jack Berger, Aaron Kleinman, Milton Levine, Jack Priore, Sam Zaber, Max Chester, Manny Fink, Max Lees, Irving Slutsky, Philip Brody, Milton Holt, Sam Goldstein, Arthur Santa Maria, Dominick Santa Maria, David Cosentino, Harry Davidoff, Phillip Goldberg, and Dioguardi himself.

This group of pseudolabor leaders unconscionably sold out the members they were supposed to represent. Some of the most shocking testimony heard by this committee during its first year of operations revolved around the collusive agreements signed by these UAW–AFL leaders with a number of small-business operators in New York City, which had the virtual effect of legitimizing the misery of thousands of Negro and Puerto Rican workers. Contracts were signed calling for the bare national minimum wage—$1 an hour—or slightly more. Out of these munificent sums of $40 or $42 a week, the workers

were obliged to pay $25 initiation fees and $3.50 a month dues. There were no welfare benefits, no provisions for seniority and, according to the vivid testimony of 1 of the workers, Bertha Nunez, a 27-year-old woman born in Honduras, the factory was unheated in the winter and so hot in the summer that the workers could not work. They were "top-down" contracts signed directly between the union and the employers, with the workers having no right to indicate any choice in the matter.

The evidence clearly indicated that when the workers did have a choice, the racket-controlled unions were summarily thrown out. A number of employers paraded before the committee and justified the signing of the substandard contracts. In the words of one of them, Morris Ehrlich, secretary of the Eden Auto Parts Co., of the Bronx: "We have to make the best deal we can." Such deals in the committee's mind were profitable to the employer and in many cases profitable to the union business agent. The ones who suffered were the working men and women who had to live on the wages and under the conditions set for them by these racketeer-controlled unions and unscrupulous employers.

That gangsters can take over labor unions, steal their funds, and extort money from employers is obvious. But the human misery that is caused when they join up with dishonest management is a blight on the community. There can be no more important service that responsible labor union leaders and law-enforcement officials can perform than to eradicate this cancerous condition.

It cannot be said, using the widest possible latitude, that John Dioguardi was ever interested in bettering the lot of the workingman. Not only were the people whom he brought into the labor movement extorting money and making collusive agreements, as mentioned above, but it should be observed that at the time Dio reentered the UAW–AFL in 1950 he was the owner of a nonunion dress shop in Pennsylvania, and that when he sold the shop he took an $11,000 bribe from the new owners to assure that the company might remain nonunion. After getting out of the union movement in 1954, he also set up the firm Equitable Research Associates, a management consultant organization devoted to keeping employers nonunion through the medium of payoffs.

The committee, therefore, finds it hard to reconcile James R. Hoffa's public avowal that he is a staunch supporter of better wages and working conditions for his men with the continued support and help that he gave John Dioguardi during this period. This help was extended to Dio in two important ways: (1) Through Hoffa's repeated insistence that Dioguardi be allowed to take over the taxi-organizing drive in New York in 1954; and (2) through his support of the Dio-Corallo locals in their efforts to take over control of Joint Council No. 16 of the Teamsters Union in New York in 1956.

In relation to the taxicab drive, Hoffa's actions are all the more peculiar because a fellow international vice president of the teamsters, Thomas Hickey, was already attempting to organize the taxidrivers under the banner of Hoffa's own union. Yet intercepted telephone conversations, secured legally by the district attorney of New York County, showed that Hoffa was in full support of Dio and in opposition to Hickey. It even went so far that two of his associates, Rich-

ard Kavner and Harold Gibbons, attempted to dig up information of a derogatory nature on an employee in Hickey's office for Dio and Hoffa to use against the teamster vice president.

In relation to the 1956 joint council fight the record is clear that Hoffa initiated the move to bring all these Dio-Corallo locals, with all their record of corruption and their many-time convicted officials, into the teamsters union. His clear purpose, the committee finds, was to use these Dio-Corallo locals to further his own ambitions by capturing control of Joint Council No. 16 of the Teamsters in New York City. The evidence shows that Hoffa helped to mastermind this operation and that he was fully cognizant of the character of the people he was bringing into the teamsters.

What was so important about Joint Council No. 16? No one will deny that New York is the Nation's economic hub. It is also a city vastly dependent on services. All of the necessities it takes to keep a metropolis of 8 million people humming must be brought in from the outside by truck, ship, train, and plane. Even in the latter three cases, when mercandise is delivered at the docks and freightyards and airports, it is the trucks which must take it to its ultimate destination. Probably no city is as dependent as New York upon the orderly flow of commerce.

This orderly flow in great measure depends on the 125,000 members of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America who live in the New York area. The affairs of these members are regulated by Joint Council No. 16, a ruling body made up of 7 delegates from each of the city's 58 teamster locals. It is this joint council which makes the ultimate decisions on strikes and on whether to give teamster assistance to other unions.

It was therefore of prime concern to every family in New York City when a group of notorious labor racketeers, headed by Dioguardi and Corallo, with the active backing of Hoffa, sought in 1956 to capture this economically and politically powerful joint council. It seemed not to matter to Hoffa that the locals in question at the time they were brought into the teamsters had no members or that their officers had such unsavory reputations.

The attempt to capture joint council No. 16 must be set against the backdrop of another power grab, also initiated by Mr. Hoffa. For years the situation on the New York waterfront has been a source of shame and concern to decent people in that city. So corrupt was the International Longshoremen's Association (ILA), which ruled the docks, that the AFL summarily kicked the union out, and a special bipartisan commission was set up by the State of New York to keep a 24-hour watch on what was taking place on the docks. The AFL, in an effort to clean up the situation, set up the rival International Brotherhood of Longshoremen (IBL) and attempted in two elections to wrest control of the dockworkers from the venal ILA. In both these attempts, the teamsters gave lipservice to support of the IBL. But, under the table, John O'Rourke and Harold Gibbons, now international vice presidents of the teamsters, worked with the ILA and promoted the ILA cause.

The final blow to the AFL chances came when James Hoffa proposed a mutual assistance pact between the teamsters and the ILA,

coupled with the offer of a $400,000 loan to the ousted dock union. Public outcry forced Hoffa, with burned fingers, to withdraw his offer. But the damage had been done. Moreover, Hoffa's clear lust for power, to the extent of allying himself with the most dishonest of unions and the most dishonest of labor leaders, had again been clearly demonstrated.

Hoffa's performance on the last few days of his appearance before the committee, during which he professed a complete failure of memory, is dealt with in the further finding on Hoffa himself.

In looking at the total picture the committee must comment that, working by themselves, such racketeers as John Dioguardi and Anthony Corallo present a dangerous enough problem, but when they have the backing of top officers of the Nation's largest union, particularly James R. Hoffa, now its general president, the situation becomes one for national alarm.

As a collateral matter during these hearings the committee looked into the activities of Anthony Doria, international secretary-treasurer of the UAW–AFL. The committee finds that Anthony Doria seriously misused his position, defrauded the union's membership, and played a key role in the infiltration of gangsters and racketeers into that union. Mr. Doria, through fast talking, attempted to obscure the real issues, but his improper activities are nevertheless clear and reprehensible. The fact that he carried thousands of dollars of union funds around in a little black box, which he says he ultimately lost in the Arizona hills, is completely unworthy of belief.

At no time did Doria make any proper accounting of some $14,000 in union funds from defunct UAW–AFL locals, nor can there be any refutation of the fact that Doria appropriated to his own use part of the $30,000 appropriated for the International UAW convention in 1955. Doria was directly responsible for allowing known racketeers to take $396,000 of UAW–AFL funds. There can be no legitimate explanation for Doria's permitting Angelo Inciso, Chicago regional director of the UAW–AFL to leave that union with $300,000 of its funds after being exposed by the Douglas-Ives subcommittee in 1955, nor can there be any reasonable explanation for the payment of $16,000 to John Dioguardi and the agreement whereby Doria was given $75,000 and a new automobile. Even after Dio had left the UAW–AFL with the $16,000 going-away present, Doria continued to inform him by letter of activities of UAW locals in New York City and even permitted him control to the extent of being able to call UAW locals and either to place pickets or to remove pickets from in front of business establishments. This union relationship, coupled with Dio's activities as a management consultant with Equitable Research Associates, provided him with a perfect setup for extortion.

The committee has strongly recommended that the Justice Department prosecute Doria for perjury and that the Internal Revenue Service make a thorough study of his financial affairs.

The committee wishes especially to thank New York County District Attorney Frank Hogan for the splendid cooperation given by his office during our investigation into the New York phony locals situation. The commmittee might point out that the labor-racket picture in New York City would be much worse were it not for the vigilant efforts of Mr. Hogan's office to prosecute vigorously all cases coming to its attention.

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Committee members pointed out that in at least two respects this violated the teamster constitution: (1) Delegates to a national convention of the teamsters union must be selected during a period which ranges from the date of the call of the convention (on June 1, 1957) to a date 30 days before the start of the convention (in this instance, September 1, 1957); and (2) any action by the executive board must be ratified by the membership. Up to the time of our hearing held on September 24, six days before the start of the teamster convention, Clift and his fellow delegates from local 337 had met none of these requirements. The executive board action had taken place in February, 4 months too soon; and even if the membership subsequently ratified these selections, as Clift indicated he was sure they were going to do, it was 24 days too late. The whole matter did not seem to concern Mr. Clift to any great extent. He said he would leave everything up to his attorneys, and he was sure that they would settle the problem. As it subsequently turned out, Mr. Clift was right because at the Miami convention, Mr. Beck waived those provisions of the teamster constitution which Clift and others had violated when they were seated as delegates.

A similar story was told by William Bell, a business agent of local 299, who said that his executive board had chosen him as a delegate and then that he had been ratified by the membership at a meeting held on September 11. This, too, was 11 days too late to satisfy the requirements of the teamster constitution; but, as in the case of Mr. Clift, Dave Beck solved this problem by waiving the constitution and seating the delegates from Hoffa's own local, although they were clearly in violation of the teamsters own superior rules.

FINDINGS—JAMES R. HOFFA

In 1957, James R. Hoffa climaxed years of planning by becoming general president of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America. In his rapid ascent to the top of the heap in the teamster movement Hoffa assumed a number of vital posts within that union's hierarchy, including the chairmanship of the Central Conference of Teamsters, the chairmanship of the Michigan Conference of Teamsters, the vice presidency and negotiating chairmanship of the Central States Drivers Council, and the presidency of Joint Council 43 in Detroit.

In discussing his philosophy as a labor leader with the committee, Hoffa stated:

> I am looking out for the benefit of the workers and I recognize my responsibility to the general public. I think my record speaks for itself * * *. I believe that the more power there is concentrated into a labor organization, the more responsible and careful the unions must be not to lose the complete power of having the right to have a union.

Hoffa asked the committee to look at his record. This the committee did on an extensive basis, and it expects to look at it again in 1958.

Even now the committee finds the facts at complete variance with Hoffa's stated opinion that he is a champion of the working people and their interests. It further finds that the concentration of power

which Hoffa states brings responsibility to a labor union or labor union leader has in his case been misused in an arrogant and self-serving manner.

The committee finds that James R. Hoffa repeatedly betrayed the members of his own union by entering into a number of business relationships with employers with whom his union negotiated. He also entered into business relationships with insurance carriers and banks which handled millions of dollars in teamster union funds.

From almost the start of his career as a businessman, Hoffa has shown an affinity for trucking enterprises. Hoffa's first trucking venture, the J. & H. Sales Co., which went through a series of disguised ownerships finally ending up in the maiden names of Hoffa's and Brennan's wives, leased equipment to the Baker Driveaway Co. owned by William O. Bridge, a truckowner who had contracts with the teamsters. Another Baker Driveaway partner was Carney D. Matheson, a Detroit attorney who acts as the negotiator for large groups of trucking employers in the Midwest.

The successor to J. & H. Sales, National Equipment Co., also leased equipment to Baker Driveaway, and although a losing venture it was sold at a $10,000 profit to the Convertible Equipment Leasing Co. owned by the same Mr. Bridge and Mr. Matheson.

By far the most successful enterprise in the Hoffa galaxy of trucking businesses, however, was the Test Fleet Corp. This corporation, in the committee's view, had a curious history which had its inception in collusion with a Michigan trucking employer. After aiding the Commercial Carriers Corp. in Flint, Mich., in the settlement of a labor dispute it had with certain teamster members, the Test Fleet Corp. was set up first in the name of James Wrape, the general counsel of Commercial Carriers, and then transferred into the maiden names of Hoffa's and Brennan's wives. Commercial Carriers guaranteed a $50,000 loan for Test Fleet, provided the company with the services of its attorney, Wrape, and its accountant, Elliott Beidler, at no charge, and awarded the infant company loose contracts for the hauling of Cadillacs. This resulted, over a 7-year period, in a $125,000 profit to Mrs. Hoffa and Mrs. Brennan.

Mrs. Hoffa was involved in still another trucking venture, the Theater Trucking Co., of Detroit, Mich., in which another stockholder was Dale Patrick, nephew of Frank Fitzsimmons, the vice president of Hoffa's own local 299. Fitzsimmons had originally muscled himself into the company through the signing of a contract in which the company's original owner, Howard C. Craven, paid over to him 90 percent of the profits and was eventually run out of business.

All of Hoffa's businesses, however, were not in the trucking field. He associated with Mr. Matheson in a company set up for the purpose of making investment loans; joined with Allen Dorfman, general agent of the Union Casualty Co., which handles the health and welfare funds of the Central Conference of Teamsters, in the purchase of a summer camp in Wisconsin; and joined the same Mr. Dorfman and others in a North Dakota land venture.

Hoffa was not the only businessman in the teamster hierarchy in Detroit. For example, Zigmont Snyder, the boss of the Detroit waterfront, whom Hoffa had brought into the teamsters as a business agent of local 299, had two business ventures which were not only

conflicts of interest but which hired nonunion personnel and paid them starvation wages. One of them, the Great Lakes Cargo Handling Co., operated on the Detroit waterfront in the unloading of grain ships. The business manager of the International Milling Co. testified that after he contracted with Snyder's company he no longer had to deal with the union. The testimony clearly showed that Snyder hired derelicts off the Detroit Skid Row and teen-agers to unload these milling ships, paying them less than union wages.

Even more reprehensible, however, was Snyder's operation of an autowash on behalf of which teamster business agents exerted pressure on Detroit businessmen seeking patronage. A washer who worked for Snyder testified that he was paid around $1.25 a day for an 11- or 12-hour day. The payment of this type of wages by a union leader is one of the most shameful things to come to the committee's attention.

The Sun Valley land-development project in Florida was one of the most dubious affairs in which Hoffa became involved. Land of considerable value was purchased in central Florida by Henry Lower, at that time a business agent for local 376 of the teamsters in Detroit. The purchase price of the land was $18.75 an acre. Lower's plan was to make this a model community for teamsters and their friends. Brochures were published, urging teamsters to buy lots in Sun Valley for $150 up, and the business agents of various Detroit locals were designated as the salesmen. Teamster business agents made trips to Florida at union expense to look over the property. Land was then put on sale to the general public at prices going up to $575 a lot. The more lots that were sold, the greater was the value of the remaining land.

Unbeknownst to any teamster members in Michigan, Hoffa and his lieutenant, Bert Brennan, had an option to buy almost half the land in the Sun Valley development at the original $18.75-an-acre price. With this hidden option agreement, Hoffa and Brennan could buy vast amounts of land in the Sun Valley development and reap a profit.

In order to finance Sun Valley, Hoffa arranged for loans to Lower in the amount of $75,000 from a Detroit bank which was the repository of millions of dollars in union funds. Documents put into evidence indicated that the bank was told the funds would be removed unless the loan was made. Lower repaid this favor to Hoffa, not only by making him a hidden partner in Sun Valley, but by giving him a $25,000 loan which was paid, according to Hoffa, in cash.

This was not the only service which Hoffa performed for the land scheme. He then arranged for a half million dollars in funds of local 299 in Detroit to be transferred to a bank in Orlando, Fla., so that that bank would lend $300,000 to Sun Valley. Records of the bank indicated that Hoffa was named as the secret owner of the Sun Valley project. During the period he was promoting Sun Valley, Henry Lower drew some $90,000 in salaries and expenses from various teamster locals of Detroit.

The tragic thing for the teamster members who purchased lots in good faith was that the large loans which were to be used to develop the Sun Valley properties through the paving of streets, installing

of sewers, etc., were in fact diverted to other projects by Lower, much of the money going into his own pocket.

In addition to his business enterprises, the committee finds that James R. Hoffa grossly misused some $2,400,000 in the funds of local 299, Joint Council 43, the Michigan Conference of Teamsters, and the Central Conference of Teamsters. This vast amount of money was dispensed in a wide variety of matters, but the expenses have a common denominator: financial assistance to himself, cronies, and friends.

A prime example of the misuse of union funds, in the committee's opinion, was Hoffa's expenditure of some $174,870 for the legal defense of union officials accused of extortion, dynamiting, and accepting bribes, and the further payment of some of these officials while they were serving penitentiary sentences.

Whether it was Pontiac, Mich., Minneapolis, Minn., or St. Louis, Mo., Hoffa felt that it was the responsibility of union members to bear the financial burden for those accused of crimes. The Hoffa brand of morality is well demonstrated by what happened in Pontiac. Four officials of the teamsters union there were indicted on extortion charges. The case was so serious that the then general president, Dave Beck, placed the local under international trusteeship and named Hoffa to administer its affairs. Members of this union local, hoping for a return of honest leadership, were quickly jolted when Hoffa named two of the indicted leaders as business agents to run the union. Not content with this, Hoffa appropriated $30,000 in union funds for their defense, and after they had been convicted and sent to the penitentiary, he set up a good and welfare fund which continued to pay their salaries during and after their prison terms, to the tune of $85,489. The shocking fact here is that these officials had been accused of taking money from contractors to allow these contractors to wink at certain provisions of their contracts with the union, thus acting to the detriment of the very members who had to put up the $115,000 for their defense and continued salaries.

In Minneapolis, Gerald Connelly, a labor thug who had gone to the Minnesota city and was made a teamster official while being sought in Miami in connection with a murder case, became involved in further crimes, such as accepting bribes and the dynamiting of the properties of fellow teamster officials. With this unsavory background, Hoffa still felt impelled to appropriate some $54,000 in his defense and that of several other teamster officials indicted on like charges.

In St. Louis a teamster official, Louis Berra, was convicted of taking kickbacks from a contractor building a union health center. Again, Hoffa, who told the committee he "never turns his back on a friend," spent $5,000 in union-dues money so that Berra's attorneys could take the case to the United States Supreme Court to argue that illicitly received money should not constitute income for tax purposes.

The list of loans made by Hoffa-controlled locals was almost endless. For example, $150,000 went to Harold Mark, of New York City, a welfare-fund consultant. This particular loan immediately rebounded to Hoffa's advantage when Mark turned around and lent him $25,000. It is significant that Mark was pictured in testimony before the committee as a man who had great influence with Hoffa and might be able to persuade the Michigan teamster leader to

work out softer contract terms than those already negotiated and signed with various eastern trucking companies.

Seventy-five thousand dollars in teamster funds went to the Marberry Construction Co., which was owned by teamster accountant Herbert Grosberg and teamster attorney George Fitzgerald. Again, financial advantage to Hoffa emerged in the deal when Grosberg lent him $11,500.

When the Northville Downs Race Track in Michigan found itself short of cash to open its track, it also turned to the friendly teamster lending institution, and through Hoffa and his lieutenant, Owen Bert Brennan, arranged for the advance of $50,000. Brennan's not inconsiderable string of trotting horses were at that time running at the Northville Downs Race Track.

And on and on these loans go: $1,200,000 to a Minneapolis department store which was run by a friend of Hoffa's and which, additionally, was in questionable financial condition and during part of the time being struck by a fellow AFL union; $3,750 to pay the salaries and expenses of 2 union business agents who were dispatched to Iron Mountain, Mich., to work on a fishing and hunting club owned by Hoffa's and Brennan's wives; $5,000 in Michigan Conference of Teamsters funds to aid in the election campaign of a friend who was running for the presidency of a Philadelphia local; $3,000 to a wholesale producer association in Detroit which needed the money to fight an antitrust action by the United States Government; $155,000 to buy the lavish Indiana home of Capone mobster Paul (The Waiter) Ricca, considered by many to be the head of the Mafia in America (on this latter point the committee finds it difficult to believe Hoffa's story that he did not know the union was purchasing the home from Ricca); $5,000 to pay for the vain search by a teamster business agent for the runaway wife of two-time loser William Hoffa, the teamster leader's brother; and $2,000 in hotel bills and other expenses for hiding William Hoffa while he was a fugitive from the law.

In the committee's opinion, James Hoffa played a major role in quashing union democracy within the teamsters union through abuse of trusteeships and the rigging of the 1957 international convention in Miami, which ended in his own election as general president of the union.

In relation to the Miami convention, the evidence showed that the delegates from Hoffa's own local 299 were illegally selected, in direct violation of the teamster union's constitution. Other Detroit locals over which Hoffa exercises influence also selected their delegates in an illegal manner. Only the contemptuous action of general president, Dave Beck, in waiving provisions of the constitution, allowed these delegates to vote.

The list of Hoffa associates and friends who have criminal records and criminal backgrounds is of impressive length. These individuals include John Dioguardi, three-time convicted labor racketeer and suspected instigator of the blinding of Columnist Victor Riesel; Gerald Connelly, a Minneapolis dynamiter, who fled to a teamster job in the Minnesota city after being linked to a murder in Miami; Eugene (Jimmy) James, accused by the Douglas-Ives subcommittee of the $900,000 looting of the Laundry Workers International Union welfare funds; Herman and Frank Kierdorf, who landed jobs with

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Hoffa-controlled locals after serving penitentiary sentences for armed robbery; Ziggy Snyder, a Detroit waterfront ex-convict, who made a tidy side living in business enterprises which paid American citizens the munificent sum of $1.25 a day; Dan Keating, Louis Linteau, Sam Marrosso, and Mike Nicoletti, convicted of extorting money from contractors in Pontiac, Mich.; Angelo Meli, the Detroit prohibition hoodlum; Barney Baker, a former New York waterfront tough; Samuel (Shorty) Feldman, a Philadelphia safecracker; Ernie Belles, who was kicked out of a Buffalo, N. Y., local for embezzling $38,000, and was given the presidency of another local in Miami; Joseph Glimco, twice arrested for murder, the crony of Capone gang mobsters and a trustee of a Chicago local in Hoffa's central conference; N. Louis (Babe) Triscaro, an Ohio reformatory graduate for whom Hoffa arranged a testimonial dinner; William Presser, head of the Ohio Conference of Teamsters, who shook down jukebox operators in Toledo; Louis Berra, convicted of extorting money from St. Louis contractors; Harry Friedman, appointed head of an Ohio local after emerging from a Federal penitentiary; Paul (Red) Dorfman, who reached ascendancy in the Chicago labor movement after the murder of his predecessor and who has maintained a continuous association with Chicago mobsters; and Hoffa's own brother, William Hoffa, a twice-convicted felon placed as a business agent of the Pontiac local.

The number of these individuals is such as to rule out the possibility of coincidence or to support Hoffa's claim that he acted only out of motivation to rehabilitate criminals who had erred once and then found the path of righteousness.

The committee found nothing which seemed to impair Mr. Hoffa's intellect. It must, therefore, seriously condemn his performance on the final 2 days on which he appeared before the committee and claimed a loss of memory. His repeated claims that he could not remember things which any ordinary person would be bound to remember created within the committee a deep feeling that Hoffa was practicing a calculated evasion. It was one of the most curious performances that any member of the committee has ever witnessed and represented the actions of a man who, trapped by the facts, sought at all costs to extricate himself from a peculiar position.

As an example of one of Hoffa's answers, the committee must point to this one on page 5259—

> To the best of my recollection, I must recall on my memory, I cannot remember.

The committee cannot believe that a man who had dealings with John Dioguardi and who had Dioguardi purchase Minifon recorders to be delivered in Detroit by a notorious wiretapper, Bernard Spindel, could easily forget those events. Yet, feigning surprise, Hoffa sought to do just this. The committee rejects his posture of forgetfulness as unworthy of belief and hardly that to be expected of a man who heads a union with a minimum of 1,500,000 members.

A large and vibrant teamsters union, honestly led and honestly administered, can be a great asset to the American economy. The committee does not feel that any of these qualifications can be met as long as Hoffa leads that union and, on the contrary, finds him a dangerous influence in the labor movement and an unworthy steward of the destinies of 1,500,000 men and women.

NATHAN W. SHEFFERMAN AND LABOR RELATIONS ASSOCIATES OF CHICAGO, INC.

The role of the middleman in labor-management relations was the focal point of a series of hearings held by the committee during October and November into the activities of Nathan W. Shefferman, of Chicago, Ill.

Shefferman is a Chicago labor relations consultant who, at the time of the hearings, maintained offices in New York and Detroit and represented some 400 clients throughout the United States. His office employed some 35 persons who traveled widely throughout the country servicing clients. In the 7-year period from January 1, 1949, through December 31, 1955, Shefferman's firm, Labor Relations Associates of Chicago, Inc. (LRA), earned a gross income of $2,481,798.88.

Shefferman's name first came to the attention of the committee during its investigation into the activities of Dave Beck, general president of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen, and Helpers of America. Records of the Western Conference of Teamsters indicated that a number of checks had been made payable from the Western Conference of Teamsters to that union's public relations account in Los Angeles. These checks, totaling $23,000, were credited to the account of the public relations division, and checks in a similar amount were then written by the public relations division to the order of Nathan Shefferman.

Frank Brewster, the chairman of the Western Conference of Teamsters and one of the signers of these checks, indicated that he had no idea what this money went for. Mr. Beck, another signer of the checks, would cast no light on the purpose of this money, invoking his constitutional privilege under the fifth amendment. The committee accountants, however, testified that the $23,000 was used by the Western Conference of Teamsters to pay personal bills of Dave Beck which had been incurred on his behalf by Nathan Shefferman.

This curious relationship between Shefferman and Beck, the one a representative of big employers and the other the head of the Nation's largest union, led the committee to attempt to find out more about Mr. Shefferman. This investigation and the hearings which resulted therefrom gave this committee the first insight into the operations of a growing group of middlemen who make their livings out of solving problems which arise from labor-management disputes.

Labor Relations Associates of Chicago was founded in late 1939. Testimony before the committee indicated that Sears, Roebuck & Co., through financial and other help, played a substantial part in the setting up of the Shefferman firm. In addition, while LRA was being established, Shefferman was on the Sears payroll.

J. P. Currie, a New York management consultant and an officer of LRA at its inception, testified that the original working capital came in the form of a $10,000 payment from Sears, Roebuck. Currie testified that the bulk of the LRA business at the start came from Sears, Roebuck and its suppliers. By the time of this committee's investigation, however, Shefferman had branched out widely and had some 400 clients.

The first president of the firm was Gen. William I. Westervelt, a former Chief of Ordnance in the United States Army, who had served

Senator IVES. Not by collusion of a dubious manner. I don't think yours was either. I am not saying that. But I am surprised that you didn't clear this with the Governor before taking it on.

Mr. PITZELE. Well, Senator, let me be very candid with you and tell you that it never even occurred to me. I say I will be very candid with you and tell you that there was no decision in my mind—yes or no—to clear it, that it never even occurred to me. I say, as a private individual, the Governor has enough——

Senator IVES. You were an appointee of the Governor?

Mr. PITZELE. Yes, sir.

Senator IVES. Responsible to the Governor?

Mr. PITZELE. Yes.

Senator IVES. You were chairman of the State mediation board?

Mr. PITZELE. Yes.

Senator IVES. It seems to me that on a thing like this you would want to talk to him about it before you did it. I know I would have if I had been in your place.

Mr. KENNEDY. Mr. Pitzele, it never occurred to you also that there was anything improper in Mr. Shefferman paying Mr. Beck's bills; is that right? These things never occurred to you, that there was anything wrong or improper? (p. 6422).

Pitzele said that he had also received $2,000 from local 32–B of the Building Service Employees for writing a booklet, the history of the union on its 21st anniversary. He said that he had to pay an artist and a researcher somewhere around $1,000 so that the net profit to him was $1,000.[1]

The hearings ended with Nathan Shefferman and his son, Shelton, invoking the fifth amendment on all matters. The silent Nathan Shefferman was a sharp contrast to his previous voluble appearance before the committee during the hearings on Dave Beck.

FINDINGS—NATHAN W. SHEFFERMAN AND LABOR RELATIONS ASSOCIATES OF CHICAGO, INC.

The right of employees to organize has been a cornerstone of this Nation's labor laws for many, many years. Illegal means used by management to thwart these legitimate aims of employees as well as labor unions are disruptive to the orderly process of labor-management affairs.

The committee finds that Nathan W. Shefferman and his firm, Labor Relations Associates of Chicago, were used by a number of large and small employers throughout the country to defeat by illegal and improper means legitimate efforts of individuals and of labor unions to organize. When he found it necessary for the benefit of his management clients, he also maintained associations with labor unions.

[1] After the conclusion of the hearing, Mr. Pitzele notified the committee that he had been in error in this testimony and that his actual compensation from Local 32–B, Building Service Employees, had amounted to $10,000.

A source of a great deal of Shefferman's power was his close association with Dave Beck, former general president of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America. The relationship was mutually profitable. Beck on a number of occasions received cash gifts from Shefferman. Beck's son was involved in a profitable business transaction with Shefferman's son. In addition, the Chicago labor consultant was used by Beck as a conduit through which he funneled $85,000 of teamster union funds for the payment of his personal bills. Shefferman, on the other hand, was able to sell to employers his friendship with Beck and was able to rely on Beck's teamsters for effective assistance in efforts to defeat union organizing drives.

While Shefferman exuded soothing platitudes in speeches at union conventions, and while he was in almost daily telephonic communication with Beck, his large staff of agents, many operating under aliases, mounted vicious antiunion drives in all parts of the country.

Labor Relations Associates was originally the brainchild of Shefferman and Sears, Roebuck & Co. Shefferman was used extensively for many years by that company to beat down union drives, particularly by the Retail Clerks International Association. On the recommendation of Sears officials, Labor Relations Associates was used for the same purpose by Sears, Roebuck suppliers and subsidiaries.

The activities of Shefferman in relation to Sears, Roebuck's Boston store is a flagrant case. Representatives of Sears, Roebuck carried on a campaign against employees who wanted to sign up with a legitimate union. They spawned a phony company union and expended funds for its continued life. They paid off the leaders of the spurious group and discriminated against those who favored the legitimate organization. Finally they dumped their own group in favor of a no-union movement which they also invented and financed. For operating these activities and for successfully preventing a legitimate unionization of this store, Sears, Roebuck paid Shefferman some $78,000.

Shefferman's firm existed because certain employers felt there was a need for his kind of services. Companies such as the Morton Frozen Food Co., the Whirlpool Corp. at both its Marion, Ohio, and Clyde, Ohio, plants, the Allstate Insurance Co. in its Michigan offices, and the Englander Co. in Chicago set up improper, if not illegal, so-called spontaneous antiunion committees made up of the employees of their company. The committees were formed, controlled, and financed by Shefferman's agents who were, in turn, hired and paid by the companies involved.

Morale surveys to discover the union or antiunion sentiments of the employees were utilized. These surveys were conducted under a number of guises, such as attempting to find out employees' veterans' rights, a survey on suggestions for a 25th anniversary sale, checks of employees' family backgrounds. This activity was highly improper, if not illegal, but was nevertheless used not only by Sears, Roebuck & Co., but by the Mennen Co., the Englander Co., and the Morton Frozen Food Co.

Shefferman not only was used to keep unions out but was a specialist in finding a friendly union, one the employer could "live with." What this meant in concrete terms was that the employer would have a union which would not stand up or attempt to protect the rights of the workers or improve their working conditions.

At the Morton Frozen Food Co. testimony showed that after Shefferman's agents succeeded in defeating one union (United Packinghouse Workers of America), they then switched their entire operation and brought in the Bakery and Confectionery Workers International Union of America. After arrangements were made with James Cross, of the Bakery and Confectionery Workers Union, a contract was drawn up in Shefferman's office in Chicago and signed by George Faunce, general counsel of the Continental Baking Co. (owner of the Morton Frozen Food Co.) and George Stuart, International vice president of the union. All this was done without the participation or consent of the workers in the plant. Mr. Faunce, a close friend of Cross, for whom he had done a number of favors, explained the philosophy behind his dealings with the hierarchy of the union rather than with the employees and their representatives by saying that "you don't make a contract with a mob of people."

At least two of Shefferman's top aids also participated in what the committee considers to be highly irregular actions. The committee cannot condemn too strongly the activities of George Kamenow, of Detroit, who, in apparent collusion with teamster officials in Flint, Mich., settled the labor problems of a number of small Flint businessmen.

The pattern of activity in Flint presents to the committee a clear picture of extortion. A number of these businessmen testified that the teamsters union in Flint would demand recognition or would place pickets in front of their establishments. For the payment of certain amounts of money Kamenow would undertake to solve the problems. In every case the committee heard, these payments to Kamenow brought about a cessation of union activity or a withdrawal of picket lines. This, in the committee's view, could not have been accomplished without the understanding and collusion of teamster union officials in Flint, particularly Mr. Frank Kierdorf.

It is also the committee's opinion that the Flint businessmen also acted in an improper manner. Despite their denials, there can be no doubt that they all knew exactly what they were buying when they went to Kamenow. They sought to avoid unionization and they found Mr. Kamenow a convenient conduit to make payments to union officials to leave them alone. The stories of these Flint businessmen that they did not know the purposes for which they were making payments to Kamenow are unworthy of belief. The committee has strongly recommended that both the Justice Department and the Internal Revenue Service make an intensive investigation into Kamenow's activities.

Louis Jackson, the president of the Shefferman firm and its New York representative, should also, in the committee's opinion, be heavily censured for his payoffs to officials of the Sears, Roebuck Employees' Council in Boston while these officials were representing the council in negotiations with Sears, Roebuck & Company. In the committee's view, the payments by Jackson and by James T. Nielsen, alias James Guffey, alias James Neal, alias James Edwards, would appear to be a direct violation of section 302 of the Taft-Hartley Act, and the committee has requested the Justice Department to investigate for possible law violations.

The committee finds that the activities of Shefferman provide a shocking indictment of the activities of a number of employers. Although his list of clients reaches some 400 employers, testimony before the committee touched on the activities of only his largest customers. Among those whom the committee found had used Shefferman's firm for union busting were: Sears, Roebuck & Co.; the Whirlpool Corp. of Marion, Ohio, and Clyde, Ohio; the Morton Frozen Food Co. of Webster City, Iowa; the Mennen Co., of Morristown, N. J.; the J. V. Pilcher Co. of Louisville, Ky.; the Seamprufe Co. of McAlester, Okla.; the Allstate Insurance Co. of Skokie, Ill.; the Englander Co. of Chicago; and the H. P. Wasson Co. in Indianapolis.

As long as there are employers who persist in the antiquated notion that all unions are evil and their organization attempts may be met by any tactics, fair or foul, Shefferman and other fixers and middlemen like him will continue to exist and prosper.

We find that the present law, as administered by the National Labor Relations Board, is impotent to deal with Shefferman's type of activity and with the employers who retain him. Despite the fact that firms he represented had been involved in scores of unfair labor practice cases, Shefferman has never received even a slight reprimand, and the companies that he represents merely make a written statement that they will not do again what they have done. Shefferman moved from town to town, from State to State, with impunity, and the law as presently written is apparently powerless to deal with his activities. This situation should be remedied.

Garbage Industry

(New York and Los Angeles Areas)

The disposal of garbage is not a matter on which the average citizen is inclined to dwell. Whether he be householder or businessman, his sole concern with it is the speed of its removal from his premises. Only when there is a break, or threat of a break, in this routine process does he realize the inherent dangers: the health and fire hazard for his family and community, the potential rout of his cutomers, the possible curtailment of his plant operations.

It follows that whoever controls the removal of garbage in a given area has in his grasp a weapon of great power. This does not pertain where municipalities do the job as a free public service. It does, however, apply where private cartmen predominate. By driving off competitors and asserting a monopoly, they can, if so minded, name their own price, provide bad to indifferent service, and otherwise put a squeeze on the customers in their control.

With the sprawling growth of United States cities in recent decades, private carting has mushroomed into an industry whose annual volume totals hundreds of millions of dollars. In the country's two most populous areas, Los Angeles and New York, the volume has been conservatively estimated at $20 million and $50 million, respectively.

The wealth of the industry, together with its unique means for intimidating the customer, has attracted to it men both greedy and unscrupulous. This has been true of New York and Los Angeles alike, where giant populations add to the glittering vistas of profit and power in garbage collecting. In the particular case of New York,

the field has been invaded and ruled by hoodlums of every stripe, many of them members of the infamous international brotherhood of the Mafia and holders of criminal records awesome in their length and variety.

When, during the committee's inquiry into private carting, counsel for one witness pointed out that "in the garbage industry we don't get Harvard alumni and Yale undergraduates," he thereby enunciated what surely must go down in history as a classic of understatement.

The specific purpose of the committee's hearing, held last November, was to ascertain the extent of collusion between unions and management, including trade associations, mutually engaged in garbage collecting. In 5 days of revelations no more savory than the basic materials of that craft, the conclusion was inevitable that labor and management in the field of private carting were joined in an unholy alliance aimed at creating and fostering monopoly at its most vicious. Among the more bizarre features of the relationship were these:

1. The union served as an "enforcing arm" of certain management groups in their vendettas with competitors.

2. When favored firms flouted union rules and restrictions, the union blandly looked the other way.

3. So-called "whip companies," set up by hoodlum operators to keep fellow members of trade associations in line, enjoyed the union's hand-in-glove cooperation although these whip companies themselves were in some cases nonunion.

4. For such boons from the union, management reciprocated in highly tangible fashion by seeing to it that all members of trade associations, many of them owner-operators, also joined the union, paying dues and in some cases miscellaneous large sums into its coffers in the name of a strictly spurious "security."

The committee examined two separate situations in the private carting industry. One, covering the Greater New York area, absorbed most of the hearings because of its underworld ramifications and the continuing nature of the evils exposed. The other situation, which concerned Greater Los Angeles, had been at least partially dealt with by a popular referendum, effective a month before the committee inquiry, which replaced private carting with municipal collection so far as household rubbish was concerned, leaving only commercial pickups for the private carters.

The Los Angeles situation was nevertheless of major interest to the committee because the pattern of industry operations there bore certain resemblances to New York's, although on a less spectacular scale and with fewer sinister refinements. On both coasts the unions involved were locals of the International Brotherhood of Teamsters.

The sole witness heard by the committee on the California end of the private carting industry was Capt. James E. Hamilton, of the Los Angeles Police Department, an official well informed on the subject by virtue of his position as head of the department's intelligence division, a nonenforcement unit charged with investigating organized crime. As the result of complaints from householders dissatisfied with their pickup service, Hamilton's division had in 1954 launched a probe which produced a comprehensive view of private carting in that area.

At the time, Hamilton testified, the city picked up the "wet garbage" and noncombustibles; private carters the combustible rubbish, includ-

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to 1956. In 1952, their salaries and payments totaled $38,570; in 1953, $53,070; in 1954, $66,785; in 1955, $68,880; in 1956, $75,360.

Beyond salaries and payments, two other dispositions of union funds interested the committee. Committee Investigator Stephen A. Conley testified that from October 1951 to May 1957 cash expenditures for which there were no vouchers totaled $56,418. Asked to explain where the money had gone, Adelstein replied:

> I will try. For cash disbursements, postcards, stamps, we have people come in to our office where we send out for food; strikes, where we feed people on the picket line (p. 7006).

Local 813 also held an annual dance for its membership with tickets at $5 apiece collected by employer checkoff. Committee Investigator Milton Morvitz testified that the Grio Press, a printing firm, had printed 10,000 tickets for local 813's dance in 1957, although the hall where the affair was held had a capacity of only 1,750 persons.

Adelstein estimated that the dance funds thus raised totaled $15,000 to $20,000 a year. Under questioning, he admitted that disbursements out of these moneys had gone to pay for his $5,889.30 air-conditioned Cadillac, premium payments on a $10,000 annuity he has, and $1,500 worth of liquor purchased over a 3-year period from a liquor store owned jointly by himself and his wife.

In the belief that evidence at the hearings on the garbage industry points to income-tax evasion, monopoly, restraint of trade, fraud against the Federal Government, extortion, coercion, perjury, and violation of Federal probation, the committee has recommended to the appropriate New York State and Federal agencies that they vigorously pursue an investigation of these matters.

Findings—Garbage Industry

(New York and Los Angeles Areas)

Although any form of labor or management malpractice takes its toll of the public, the effects are vastly multiplied when the industry involved performs an essential service. Awareness of this should theoretically induce a deep sense of responsibility within such an industry. In the case of a major sector of the Nation's garbage collectors, no evidence of this attitude appears.

As a result of its inquiry into private carting in our two biggest metropolitan centers, Los Angeles and New York, the committee is forcefully struck by the almost total disregard for the public weal displayed by carting labor and managements. Key figures in the industry in these areas obviously feel that the public exists for their benefit rather than vice versa, and that customers at odds with this credo must have it hammered into them by threats, shakedowns and, if need be, by outright denial of garbage-collecting services.

The prevailing climate in the industry is, in the committee's view, a direct result of the fact that the labor side of private carting lies within the bailiwick of the International Brotherhood of Teamsters, whose blatant public-be-damned philosophy is detailed at many places in this report; that the management side of the industry is acrawl with hoodlums and gangsters; and that, as so often in teamster-employer relations, collusion between the two sides is rife.

Above all other evils uncovered, rampant collusion has been the hallmark of the carting industry. Both in Los Angeles and New York its collaborators have developed it to such a high art, with so many shadings and variations, that it has been difficult to discern where, if indeed at any point, management interest leaves off and union interest begins. Generally, the two sides have acted in perfect concert against whomever they regarded as their common foe at any given time: a businessman who protested poor service; an independent owner-operator who balked at a trade-association monopoly; trade association members themselves, whenever they got out of line; union officials who asserted their jurisdictional rights; anyone, in fact, who went counter to the collusive policy of the moment.

1. The committee finds that a pernicious monopoly exercised by a Greater Los Angeles trade group known as the San Fernando Valley Rubbish Collectors Association had the unconditional blessing of teamsters local 396, which represents garbage-collecting labor in the area. The association carved up the 220-square-mile valley into exclusive private preserves for its members, thus paving the way for arbitrary price-fixing and poor service. When independent owner-operators tried to move in, they were barred from unloading refuse by union agents who policed the dumps.

2. The committee finds that teamsters local 396 also served as an enforcing arm when moguls of the San Fernando Valley trade group, and of another known as the State Rubbish Collectors Association, chastised any of their own members for some infraction of the rules. Association officials would list such offenders on a so-called "hot sheet." The names on this list would be made known, not only to wastepaper houses, which were advised not to purchase any paper from the offenders (a serious economic penalty since they scaled their pickup prices in accordance with the volume of wastepaper they collected), but also to the union, which was instructed not to permit dumping of rubbish by those listed. Local 396 deputies at the dumps would then oblige.

Another instance of union helpfulness occurred in a quarrel between two association members over their territorial rights. The case was "adjudicated" by the "mediation board" of the association, but agreement on the terms of settlement was reached in local 396's office.

3. The committee finds that in return for all such favors by local 396, the two Los Angeles trade groups insisted that all their association members join the union, even though many ran one-man operations and derived no benefits whatever for the union dues they paid in. In one particularly strange outcropping of this unholy management-labor liaison, an independent owner-operator who tried to join only the union to get permission to dump was told by Frank Matula, Jr., secretary-treasurer of local 396, that he would first have to "make peace" with the San Fernando Valley association. When he learned that making peace meant joining the association at the cost of handing over two-thirds of his customers, he balked, whereupon the union rejected his membership application and returned an initiation fee it had already accepted.

4. The committee finds that collusion in Los Angeles carting circles failed of success only under the most special of circumstances. One rift in the labor-management lute occurred over a garbage-collecting firm called the Portable Container Disposal Corp. When the inspec-

tor for the State Rubbish Collectors Association complained to local 396's chieftain, Matula, that this outfit was "jumping stops"—taking customers away from other firms—he was told to keep his mouth shut or Portable would take still more stops. The reason for Matula's tenderness toward this company: two of its owners were Los Angeles teamster officials.

5. The committee finds that all the basic evils of the Los Angeles carting situation recurred on a larger scale in New York, along with a number of infamous innovations made possible by the vicious character of leading figures in the eastern end of the industry.

6. The committee finds that the New York garbage-collecting industry has been infiltrated and dominated by the basest criminal elements in the country, men whose other profitable enterprises include the dock and numbers rackets and worldwide traffic in dope, and whose copious criminal records include arrests for everything from murder to mayhem, interspersed with felonious assault, extortion, coercion, grand larceny, burglary, and vagrancy. Among this tasteless assortment of jailbirds, thugs, gunmen, and thieves are many members of the notorious international brotherhood of the Mafia.

Preeminent among these underworld figures in private carting in New York is Vincent (Jimmy) Squillante, described by Federal narcotics authorities as a major source of supply for narcotics, and a dock and policy racketeer. Squillante, who inaccurately but effectively boasted that he was the godson of the late Albert Anastasia, lord high executioner of Murder, Inc., moved in on the carting industry in the sham role of labor relations expert, gradually assuming mastery over the Greater New York Cartmen's Association, which handles private carting for 3 of New York City's 5 boroughs, and over 2 trade groups on Long Island which he summarily incorporated into his empire. Ruling with the absolute power of a czar, he stripped garbage-collecting firms of any voice in their own economic destinies, imposed a business dogma totally alien to free competition, and enriched himself, his relatives, and court favorites to an extent that can never be fully calculated.

Strategically dispersed at vital points in the Greater New York carting industry have been these public enemies:

Alfred (Nick) Ratteni, whose record included arrests for grand larceny, assault, and robbery, who was described by former Attorney General Brownell as a chief lieutenant of Frank Costello, and who, as president of the Westchester Carting Co., has exercised a terror-tinged monopoly over the garbage-collecting business of populous Westchester County;

Joe Parisi, who was convicted of rape and disorderly conduct, indicted for homicide, felonious assault, coercion, robbery with gun, and, along with Lucky Luciano and Lepke Buchalter, for extortion in the paper-box industry, and who, before his death in 1956, provided the Westchester Carting Co. with abundant strong-arm aid in his capacity as secretary-treasurer of teamsters local 27;

Joseph Feola, alias Joey Surprise, "efficiency expert" for Westchester Carting and later a stockholder-investor in a Squillante-favored firm, the Jamaica Sanitation Co., whose criminal record included charges of felonious assault and homicide and conviction for manslaughter;

Alfred "Pasta" Fazula, "sergeant-at-arms" of Squillante's captive trade association in Nassau County, and owner of a firm known as Rapid Rubbish Removal, whose criminal record included burglary, larceny, auto theft, attempted burglary, and vagrancy;

Carmine Tramunti, an alumnus of Sing Sing by reason of two robbery convictions, and right-hand man to the notorious "Tony Ducks" Corallo, who with Corallo had an interest in the Sunrise Sanitation Service, a firm which even though substandard was heavily favored by teamsters local 813, the garbage-collecting local in New York;

Louis Iannacine, convicted for a union shakedown in the fruit and vegetable industry, who was an officer and stockholder, along with Squillante's brother Nunzio, of the General Sanitation Co., through which the Squillantes kept other garbage-collecting firms in line; and

Frank "The Barber" Scalise, described by Federal narcotics experts as a major international violator, and before his murder last year a stockholder in a firm through which Vincent Squillante loaned money to carting companies and other businesses.

7. The committee finds that Bernard Adelstein, secretary-treasurer of teamsters local 813, the dominant union in New York carting, betrayed every principle of trade unionism by serving as an abject tool in all of Squillante's empire-building activities. With his own authority over local 813 as absolute as Squillante's over the management side, Adelstein was able to put his union at Squillante's complete disposal in enforcing monopolies, punishing trade association critics of Squillante, and blinking at Squillante-favored nonunion firms. Adelstein was no stranger to collaboration; earlier, when local 813 was a unit of Joe Parisi's local 27, he and Parisi had done yeoman service for Nick Ratteni's Westchester Carting Co. in its takeover of the garbage pickup trade throughout Westchester County, picketing stores which refused Ratteni's services and in one case stopping pickups by their own men at a number of Safeway Stores branches in neighboring Bronx County when a Westchester County Safeway dropped Ratteni's company. In this fight and others local 27 alined itself against a fellow teamster local, 456, which had jurisdiction over Westchester County; local 456's president, John Acropolis, was murdered in the wake of threats by Adelstein and Parisi.

8. The committee finds that Squillante stifled any notions of competitive free enterprise entertained by members of his captive trade associations by setting up so-called "property rights." Under this system a cartman retained the rights to a "stop" even if the customer moved away, and no fellow cartman could solicit the new customer who moved in; at the same time a cartman could have stops taken from him, willy nilly, and risk expulsion from the association, if its board of directors decided that he was "a delinquent association member."

9. The committee finds that Squillante enforced these dicta by a system of penalties under which a cartman foolhardy enough to jump a stop would have to pay his injured colleague $10 for every $1 he collected from the customer involved; if the colleague refused this payment, the stop-jumper would have to give him 2 customers for the 1 taken. This justice was meted out by a kangaroo court at which both plaintiff and defendant could have representation, and the nature

of the verdict directly depended on the representative's ranking position in the underworld hierarchy.

10. The committee finds that Squillante manifested open contempt for Federal law by ordering members of his Nassau trade associations to rig bids on an Air Force contract for garbage pickup service at Mitchel Air Force Base.

11. The committee finds that Squillante strengthened his grip on the garbage-collecting industry by the setup of "whip companies," so-called for their whip cracking function over private carting firms which incurred Squillante's displeasure. The whip company's technique was to jump the stops of the firm in question; thus, the financial benefits to Squillante himself were highly tangible. The General Sanitation Co., Squillante's whip company in Nassau County, in which he had installed his brother Nunzio as operating chief, took over a number of lucrative supermarket stops from an association member defiant of Squillante's order not to bid on the above-mentioned Air Force garbage-pickup contract. In another case, a nonunion garbage collector was stripped of a number of profitable accounts at the so-called Miracle Mile in Manhasset when local 813, conniving with General Sanitation, threw a picket line around the stores he serviced; the customers involved then hired General Sanitation.

12. The committee finds that Secretary-Treasurer Adelstein of local 813 cynically sold out his own members by promoting the interests of nonunion firms dominated by underworld elements. Once Nick Ratteni's Westchester Carting Co. firmly established its hold on business in the county, Adelstein pulled his local 813 out and tolerated the formation of a company union. He failed to enforce union wage rates for workers at the Sunrise Sanitation Service, operated by an aunt of Carmine Tramunti, in which Tramunti and his underworld boss, "Ducks" Tony Corallo, had an interest. In the Miracle Mile incident just cited, Adelstein deployed local 813 members for picket duty even while plotting the takeover of the accounts of the picketed stores by the General Sanitation Co. in the full knowledge that it was a nonunion operation—an act of betrayal of his own membership that can find few parallels. In fact, such was Adelstein's concern for the General Sanitation Co.'s interests that his nephew, the auditor of local 813's insurance and pension funds, drew up the company's "worksheets" for Squillante, arranged for an accountant, and took a cut of the accountant's fee.

13. The committee finds that Squillante rewarded Adelstein's devotion by compelling all association members to join local 813 and pay dues to it even though the union treated them as "employers" and gave them no voice in union matters.

14. The committee finds that Squillante further paid off Adelstein by conniving with him to insert, in a blanket union contract enforced on trade-association members, a so-called "security clause" which provided no security whatever. Under this clause trade-association members had to pay into the union $25 to be held "in trust" by it; if a member left the association, he would have to pay the union $300 per man in his company—a sum also to be held by the union "in trust," but never returned by the union. This latter proviso also put a costly premium on a member's departure from Squillante's captive associations.

15. The committee finds that Squillante euchred his association members into setting up a $57,000 "defense fund" for the industry, out of which he personally profited by some $26,000—to pay his back Federal income taxes, State taxes, and an attorney's fees to investigate the Nassau County district attorney, who was investigating him.

16. The committee finds that Squillante further enriched himself at the expense of private carters in the Greater New York area by setting up the Carters Land Fill Corp., which charged them exorbitant fees for dumping. Squillante's two partners in this enterprise were James Licari, a fugitive from a Federal tax inquiry, and Joseph Feola, alias Joey Surprise. Squillante originally drew a $500 a week salary from the firm but later changed this arrangement to have Feola "lend" him half his own weekly salary of $1,000. This was a patent effort by Squillante to avoid Federal tax payment at a time when he owed the Federal Government for past taxes.

17. The committee finds that Squillante, on behalf of himself and members of his family, set up a company which lent money to private carters and other businesses in which he either had a direct interest or which belonged to friends. Before its dissolution for violating the New York State banking laws, the company lent some $35,000 to firms with which Squillante had this close relationship.

18. The committee finds that Adelstein profited heavily from his status as overlord of local 813. Out of funds for an annual dance—with tickets of $5 apiece collected by employer checkoff—Adelstein derived such benefits as a $5,800 air-conditioned Cadillac and premium payments on his $10,000 annuity. Of the union's cash expenditures from 1951 to 1957, over which Adelstein had complete charge, some $56,000 was spent without any supporting vouchers.

The committee is gratified by evidence that corrective efforts have been undertaken against the evils of the private carting situation in both the metropolitan centers under its scrutiny. Even prior to its hearings, an aroused citizenry in Los Angeles voted to abolish the paid collection of household rubbish; mindful of this economic lesson, the private carters have revamped their rules for the commercial collection of rubbish to provide free competition among pickup services. In New York, in the wake of the committee's hearings, Vincent Squillante has been temporarily removed from action by his sentencing to a year in Federal prison for violation of his tax probation; in addition, he has been indicted in Nassau County on 3 counts of extortion, and Bernard Adelstein on 2 counts of extortion.

It is noteworthy that in all these corrective efforts no constructive part has been played by the International Brotherhood of Teamsters.

Organized Violence in Tennessee and Adjacent States

The addiction to violence knows no boundaries, and men with a taste for its use may be found anywhere, although often professing varied motives for their deeds. In the field of organized labor such practitioners of violence claim to serve the cause of unionism. In actual fact they, no less than others of the fraternity, gratify only their own base instincts and thirst for power.

The harm dealt honest labor by this breed, frequently operating under the protective coloration of union office, was first examined by the committee in hearings last spring on Scranton, Pa., detailed pre-

EXHIBIT NO. 10

Union Racketeering: The Responsibility of the Bar

May 12, 1958

Mr. CHURCH. Mr. President, the American Bar Association Journal's current issue—May 1958—carries an article written by the junior Senator from Massachusetts [Mr. Kennedy], entitled "Union Racketeering: The Responsibility of the Bar." Some lawyers have lent their professional talents in aid of certain racketeering elements in the trade union movement, in ways that raise serious questions involving professional ethics, and the integrity of the bar. The bar has a grave responsibility with respect to the unethical activities of its members, and Senator Kennedy's reminder of this responsibility in connection with union racketeering is timely and pointed.

I ask unanimous consent that the article be printed in the Congressional Record.

There being no objection, the article was ordered to be printed in the Record, as follows:

UNION RACKETEERING: THE RESPONSIBILITY OF THE BAR

(By John F. Kennedy, U.S. Senator from Massachusetts)

Almost a quarter of a century ago, Supreme Court Justice Harlan Fiske Stone, speaking at the dedication of the University of Michigan Law Quadrangle, delivered one of the most important addresses ever made in this country to a company of lawyers. His subject was the professional responsibility of the bar, and needless to say, he did not consider the topic exhausted by a few well-chosen words on the evils of ambulance chasing. His thrust was more far reaching and basic—in essence an indictment of two generations of corporation lawyers.

The bar, said Justice Stone, had been the servant of the country's mushrooming corporate growth in the gaudy twenties. It had placed the skills and technical proficiency of centuries of professional development at the command of the financial community. Some of these corporate and financial operators, not unsurprisingly, some of these clients of a generation ago, were unscrupulous, dishonest; operating around the fringes of the law or seeking to bend it to fit their improper objectives. A large minority of these entrepreneurs and brokers were simply unaware of the duties and responsibilities that necessarily bind those dealing in other people's money—men who were not so much dishonest as they were misguided, imprudent, ineffective, reckless, or irresponsible.

Whether the businessman client knew better or not, his lawyer always did or should have. Too often, Justice Stone thought, these lawyers forgot that they were members of a profession and all that that implies. Too many of them had surrendered the function of independent and critical judgment which has been the historic pride of the legal profession—a judgment that never spared and often guided the clients to be served. And as result, said Stone, the Nation's lawyers had to bear a large share of the responsibility for the chaos these harmful corporate activities had created by the beginning of the 1930's and for the always unwelcome effort to impose governmental regulation where private self-regulation had failed.

I have often thought of Justice Stone's appeal to the bar as I sat during the past year through the grim and sometimes shocking hearings before the Senate Committee on Improper Practices in the Labor or Management Field, the McClellan Committee. Watching that parade of witnesses from the irresponsible fringe of the labor movement—some unscrupulous, some only misguided—and watching or hearing about their attorneys as well, it has seemed to me to present a striking parallel to the situation of which Justice Stone complained some 24 years ago.

For during the past two decades, organized labor has grown enormously in wealth, in strength, and in numbers. It has been fostered and encouraged by Federal and State laws. Its votes and support have been prizes eagerly sought by both political parties. We count on it to perform indispensable functions in the operation of our economy—to help spread the benefits of increased production among workers and their families by hard bargaining for wage increases and other benefits, to help keep the economy on an even keel by acting as a counterweight to big business.

The development of such economic power and the organization of such collective effort could not have been achieved—and was not achieved—without the active assistance of wise and skillful lawyers. In fact, since the period of major union growth coincided with large-scale Federal regulation of labor relations under the Wagner Act and the Taft-Hartley Act, high-grade legal advice and legal services were needed at every step of the way.

service of labor as, a generation ago, it was to business. Nevertheless, in the thirties and after, an increasing number of able law graduates were drawn to the growing labor movement by a sense of adventure and service. There was, I think, idealism and dedication in the election of many young men to go into the field of labor law—and properly so. It meant service to the many and not the few, to the cause of economic justice and a better way of life. For the overwhelming majority of those who have pursued distinguished careers in this field, this idealism has remained bright and untarnished to this day. Our committee has been greatly aided, for example, by the helpful cooperation and expert advice of the AFL–CIO's wise and honorable general counsel, Arthur Goldberg, who deserves much of the credit for that group's precedent-shattering set of ethical practices codes.

But there are others, I am afraid—too many others—to whom Justice Stone's strictures of almost a generation ago apply in full force today. "I venture to assert," he said, "that when the history of the financial era" (and for this we must substitute "era of union growth") "which has just drawn to a close comes to be written, most of its major mistakes and its major faults will be ascribed to the failure to observe the fiduciary principle, the precept as old as Holy Writ, that 'a man cannot serve two masters.' * * * There is little to suggest that the bar has yet recognized that it must bear some of the responsibility for these evils. But when we know and face the facts, we should have to acknowledge that such departures from the fiduciary principle do not usually occur without the active assistance of some member of our profession; and that their increasing recurrence would have been impossible but for the complaisance of a bar, too absorbed in the workaday care of private interests to take account of these events of profound import—or to sound the warning that the profession looks askance on these things that 'are not done.' "

UNION RACKETEERING—A LONG LIST

In the past year, our committee has held up to public and congressional view a long list of malpractices currently characterizing the small racketeering element in our trade union movement—practices which have again been in most instances the result of serving two masters, one's union and one's self; and practices which have again been made possible by the active assistance of some members of the bar. As this sorry story unfolds, many of the lawyers appearing before our committee—as counsel or as witnesses—or whose names have otherwise been involved in the testimony, have brought shame to the name of an honorable profession.

Their ranks—those who engage in what might well be called legal racketeering—include the following:

1. Lawyers who, working for a union official, arrange, conceal, and worst of all share in the illicit profits of a variety of improper transactions that use union funds or power for private gain.

2. Lawyers paid from union funds, to which all of the union's members have contributed, who appear before our committee or a court to advise the union's suspect officers against revealing the purposes for which those members' dues have been used, or otherwise to defend those officers against charges of stealing from or defrauding these same members that pay the lawyer's salary.

3. Lawyers who represent management in the morning and so-called unions or union leaders in the afternoon, who draw up the "sweetheart" contracts and keep respectable unions out, keep wages low, and keep the profits to both the employers and the fake union leaders very high indeed.

4. Lawyers who organize paper locals, sham employer associations, so-called independent unions, and fake health and welfare plans in order to promote the kind of collusion that costs responsible management and labor—as well as the general public—dearly.

5. Lawyers who use their position with the union to promote their own financial interests, using union funds or union power to accomplish transactions and investments of benefit only to themselves.

These are but some of the examples that disturb me today—not because they reveal wrongdoing on the part of any more than a tiny minority of this honorable profession—but because of the bar's apparent indifference to these revelations. Outside of New York City, where I understand a specal committee of the bar is examining the matter. I know of no action by any State bar or other appropriate authority to institute proceedings against these individuals; and I know of no bar association reorienting its codes and canons of ethics to stamp out these practices, as the AFL–CIO itself has done to stamp out labor racketeering. Where are the members of the bar who will prove their title to professional leadership by taking the lead in seeking to remove this stain on the name of their calling? Where is the Justice

Stone of today who will rise up to indict this corruption and complaisance, this deceit and dishonor?

There should be no delay because the wrongfulness of any of these tactics is in doubt. The Canons of Professional Ethics promulgated by the American Bar Association, as I understand them, make it unprofessional for a lawyer to "represent conflicting interests, except by express consent of all concerned, given after a full disclosure of all the facts" (Canon 6). Nor may an attorney forward his client's interest by unethical or illegal means. "The office of attorney does not permit, much less does it demand of him for any client, violation of law or any manner of fraud or chicane" (Canon 15). Moreover he has an express duty to attempt to restrain and prevent his clients' improprieties, including "doing those things which the lawyer himself ought not to do" (Canon 16).

A lawyer who is retained by a labor union is the union's representative. His client is not the union president or the officers or the members of the executive committee—his client is the union. He is paid with union funds, dues collected from the members, and it is to them as an organization that his true professional responsibility runs. That organization is something bigger and more important than the persons who temporarily hold office in it.

The officers, like the officers of a corporation, are themselves only the servants of the broader membership. They, too, are subject to fiduciary principles. They hold the funds of the union in trust, and must manage its affairs to serve not their private ends but the larger interests of the organization. How, then, can the union's lawyer take fees from the union treasury to defend its officers against the charge of embezzling from that same treasury?

CORPORATE LAWYERS—ANOTHER ANALOGY

The parallel here to corporate field is again perfectly plain. Officers and directors of companies are often called to account, by their shareholders, public officials or others, to defend their stewardship of the corporate funds in court. In such cases it is firmly established that the director or officer must pay for his own defense and that the same attorney that represents the company cannot, with propriety, represent the defending official. The few statutes which permit the official to reimburse himself out of corporate funds, if the suit against him proves groundless, regulate this right stringently. Certainly no less stringent conception of propriety should prevail in the union field.

I think it is thus demonstrable that the lawyer-client relationship revealed by our committee and which I have enumerated above violate the generally accepted ethical standards of the legal profeession.

The question is "Why." What is in these two situations—involving corporate attorneys on one hand and union attorneys on the other—which demoralized these professional men, blunted their critical judgments and put them in conflict with the true interests they are supposed to represent? Watching them before the committee, I have concluded their fall from grace was not a sudden one but the result of a gradual erosion of their guidelines. I have come, I hope, to a better understanding of the problems, and the temptations and the relentless pressures which peculiarly beset the legal profession.

Unlike the doctor, engineer, or architect, the lawyer always appears in a representative capacity. He takes on a kind of dual personality, and the undesirable characteristics of one may be merged in the other if firm resistance is not present. The lawyer is subject, moreover, to a constant and wearing pressure which does not afflict the other professions. He operates in a field of contention. In most instances, there is an adversary, striving to defeat or neutralize his every effort. Ever present is the demoralizing influence of the client, who is interested only in results, who scoffs at a first-rate professional effort unless it is completely successful, who is often more interested in whom you know than in what you know.

Unless the lawyer is continuously mindful of the proprieties, there is always danger that the stress of the situation will blur and make indistinguishable the ground rules. There is always the inducement of the disreputable practitioner who, because of alleged connections, claims he can guarantee a favorable result. This peddling of the names of reputable judges and public officials destroys public confidence in the entire judicial and executive systems and is an especially vicious form of character assassination.

There is another form of insidious infection which is peculiar to the legal profession. The lawyer exerting his best efforts on behalf of his client finds it easy to justify conduct which he would immediately recognize as improper if he were acting merely in his own behalf. This philosophy is particularly virulent because it can be made to appear as professional service and sacrifice beyond the call of duty.

There is, too, the bond of sympathy which often comes into existence between the lawyer and his client during their relationship. I suppose this is particularly true in the field of criminal law. While espousing and defending the criminal, a lawyer may unconsciously lower or lessen his abhorrence of the crime because of mitigating circumstances in the particular case.

The public also conceives of the law as a sporting proposition and extends sympathy to the unfortunate, the underdog, the man trapped in the toils of the law. This strange but disturbing reality is manifested in a number of ways. This doctrine appears to provide most criminal-case defendants with a license to perjure themselves in the effort to win acquittal. No wonder so many lawyers, young and old, dream of dramatically extricating some malefactor from the death house. Few of them envision the glory of increasing the prison population.

I do not maintain, however, that the labor racketeer lawyers to whom I have referred engaged in these kinds of practices because they were not aware of the unethical character of their acts. Nonetheless, I should hope for an effort parallel to that of the AFL–CIO in drafting ethical practices codes, whereby members of the bar would turn their attention to this particular area and try to develop more specific regulations governing the practice of their profession within it. This effort to formulate more specific codes of conduct is not useful because it results in any new discoveries of what is right and wrong, but because it focuses professional attention on the policing of the bar, properly and traditionally the bar's own professional responsibility.

The problem is not now, and it never has been, that all, or a majority, or even a very large minority, of labor lawyers have engaged in improper practices. But the fact that one has not personally profited from impropriety does not absolve him of responsibility for impropriety. For if the act of belonging to a profession is to have any special significance at all, it is at least in part that you become your brother's keeper on matters of professional conduct. The strength of our professions and, particularly the bar, has been their ability to impose high standards of conduct not on their best elements because that would be easy but on their worst.

In the final analysis, this discipline is obtained not by grievance committees and disbarment proceedings, but by the weight of professional opinion—informed, organized, focused upon the areas in which departures from fiduciary principles are becoming "increasingly recurrent" on the part of both clients and their lawyers. Such a mobilization of professional opinion cannot prevent every instance of wrongdoing on the part of members of the bar—be they labor lawyers or tax lawyers or corporation lawyers. There will always be some to whom the material rewards of wrongdoing will seem more attractive than their public reputation or the esteem of their colleagues. But professional opinion can prevent individual instances of impropriety from turning into an epidemic, the kind that Justice Stone saw in the corporate bar 25 years ago, and the kind that must be eradicated before it spreads in the labor bar today.

I leave that challenge in the hands of the legal profession to whom this article is addressed, trusting that it will never be necessary for the Congress or any other legislative body to police the ethics of the legal profession. And when the profession cleanses its ranks and restores itself to its true position of leadership in our society, then once again lawyers and nonlawyers alike will recall the eternal wisdom of Justice Stone's reminder that "the great figures of the law stir the imagination and inspire our reverence according as they have used their special training and gifts for the advancement of the public interest."